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VOLUME NO. 3

EXPLANATORY NOTES

FOR

DEPARTMENT OF AGRICULTURE

BUDGET ESTIMATES

FISCAL YEAR

1940

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1. The first step is to identify the problem or goal. This involves understanding the current situation and what needs to be achieved.

BUREAU OF PUBLIC ROADS

NOTE.--The schedules covering regular funds of the Bureau of Public Roads are carried in the 1940 Budget under the section "General Public Works Program", beginning on page 130.

(a) GENERAL ADMINISTRATIVE EXPENSES

No funds are carried under this paragraph. However, a project statement covering expenditures of the Bureau of Public Roads for all purposes (fiscal year 1938 and estimated for 1939 and 1940) has been included at the end of the notes covering the funds of this Bureau.

CHANGE IN LANGUAGE

The language of this paragraph has been amended by inclusion of authority to pay rent in the District of Columbia.

During the fiscal years 1938 and 1939 payment for rent in the District of Columbia has been made from Emergency funds available to the Bureau of Public Roads. Since these funds will be exhausted by the close of the fiscal year 1939, the language change proposed in this paragraph is necessary in order that the regular funds of the Bureau may be used for the payment of rent during the fiscal year 1940 and subsequent years.

(b) FEDERAL-AID HIGHWAY SYSTEM

Appropriation Act, 1939.....	\$125,000,000
Budget Estimate, 1940.....	<u>125,000,000</u>

The 1939 appropriation for regular Federal aid consists of the full amount authorized for 1938 by Section 1 of the Hayden-Cartwright Act of June 16, 1936 (49 Stat. 1519, 1520); and the estimate in the Budget for 1940 is the full amount of the authorization for 1939 under the same Act.

(Section 1 of the Hayden-Cartwright Act of June 8, 1938 (52 Stat. 633, 634), authorizes the appropriation of regular Federal aid in the amount of \$100,000,000 for the fiscal year 1940, and \$115,000,000 for 1941).

CHANGE IN LANGUAGE

(1) The language relating to the source of funds under existing authorization has been appropriately amended.

(2) The language relating to the purchase of one passenger-carrying vehicle for use in administrative work of the Bureau in the District of Columbia has been amended so as to delete the words "at a cost, including the exchange value of the vehicle to be replaced, not to exceed \$1,200." This authority is not necessary in 1940, and the change restores the language of this proviso to that carried in Acts prior to the fiscal year 1939.

(3) The authority contained in the third and fourth provisos relative to charges for engineering and other services rendered to other Government agencies, and making Bureau of Public Roads appropriations available for expenses of warehouse maintenance, etc., has been extended to apply to the fiscal year 1940.

WORK UNDER ROAD APPROPRIATIONS

Cooperative highway work with all the States was started under the Act of July 11, 1916. Under these appropriations the Federal Government cooperates with the several States, Hawaii, and Puerto Rico in improving highways, as provided in the Federal Highway Act of November 9, 1921, and subsequent amendments. The Federal-aid highway system, to which regular Federal-aid expenditures are restricted, was initially limited to seven percent of the total highway mileage in each State. The routes in the system were selected by the States and approved by the Secretary of Agriculture. Additions of one percent may be made to the system when provision has been made for the improvement of 90 percent of the approved mileage in any State. On November 1, 1938, the system included 229,675 miles of the principal highways of the country and connected all the principal cities, county seats, and other market centers in the United States. About 141,946 miles of this system have been improved with Federal-aid funds, and 11,321 miles additional were under construction or approved for construction on June 30, 1938.

Funds provided under the National Industrial Recovery Act and subsequent emergency highway appropriations have been available for expenditure in improving secondary or feeder roads. Section 7 of the Hayden-Cartwright Act of June 16, 1936, authorized for the first time an appropriation of regular Federal-aid funds, as distinguished from the emergency funds, for the construction of secondary or feeder roads. Section 2 of the Act of June 8, 1938, continues this policy of Federal aid for the construction of secondary or feeder roads by authorizing an appropriation for each of the fiscal years 1940 and 1941. As of June 30, 1938, 22,610 miles of these secondary or feeder roads (which are not a part of the Federal-aid highway system) had been constructed and 2,965 additional miles were under construction or approved for construction.

The initiation of and immediate supervision of the construction of Federal-aid projects are under the State highway departments, with engineers of the Bureau of Public Roads making frequent inspections and approving all work from the inception of a project until its completion.

Regular Federal-Aid Authorization

Section 1 of the Hayden-Cartwright Act of June 16, 1936 (49 Stat. 1519, 1520), authorized the appropriation of regular Federal-aid funds in the amount of \$125,000,000 for the fiscal year ending June 30, 1939. These funds must be matched by State funds and are available for improvement of the Federal-aid highway system. In accordance with the Federal Highway Act, the authorization for the fiscal year 1939 was apportioned on December 31, 1937, by States, as follows:

Apportionment of Regular Federal-aid Highway Funds for Fiscal Year 1939

<u>State</u>	<u>Sum apportioned</u>	<u>State</u>	<u>Sum apportioned</u>
Alabama.....	\$2,600,165	New Jersey.....	\$1,662,041
Arizona.....	1,785,984	New Mexico.....	1,993,177
Arkansas.....	2,132,790	New York.....	6,105,009
California.....	4,735,268	North Carolina.....	2,919,413
Colorado.....	2,271,785	North Dakota.....	1,939,847
Connecticut.....	785,963	Ohio.....	4,517,858
Delaware.....	609,375	Oklahoma.....	2,928,955
Florida.....	1,669,497	Oregon.....	2,048,413
Georgia.....	3,154,850	Pennsylvania.....	5,291,737
Idaho.....	1,538,178	Rhode Island.....	609,375
Illinois.....	5,095,276	South Carolina.....	1,671,209
Indiana.....	3,063,178	South Dakota.....	2,029,328
Iowa.....	3,200,927	Tennessee.....	2,616,339
Kansas.....	3,283,179	Texas.....	7,787,739
Kentucky.....	2,299,072	Utah.....	1,410,802
Louisiana.....	1,791,188	Vermont.....	609,375
Maine.....	1,089,359	Virginia.....	2,269,875
Maryland.....	1,018,447	Washington.....	1,956,342
Massachusetts.....	1,725,964	West Virginia.....	1,357,927
Michigan.....	3,784,165	Wisconsin.....	3,030,337
Minnesota.....	3,402,720	Wyoming.....	1,559,860
Mississippi.....	2,196,926	Hawaii.....	609,375
Missouri.....	3,774,930	Puerto Rico.....	609,375
Montana.....	2,553,444	Reserve for admin-	
Nebraska.....	2,579,115	istration and	
Nevada.....	1,590,172	engineering.....	<u>3,125,000</u>
New Hampshire.....	609,375	Total apportionment	<u><u>125,000,000</u></u>

PASSENGER-CARRYING VEHICLES

Continuation into 1940 of the authorization under this item for expenditure of not to exceed \$45,000 for the purchase of passenger-carrying vehicles is recommended in order to permit the needed replacement of 78 vehicles at a net average cost of \$577 each, as set forth in detail in the Budget schedules, including 70 cars (\$40,560) under the Federal-aid highway system and 8 cars (\$4,440) under the Forest Roads and Trails program. These cars are used in the field service of the Bureau for essential transportation of project and other highway engineers engaged in Federal-aid inspection, checking, surveying, supervision, construction, experimental work, etc.

(c) FEDERAL-AID SECONDARY OR FEEDER ROADS

Appropriation Act, 1939.....	\$20,000,000
Budget Estimate, 1940.....	<u>25,000,000</u>
Increase.....	<u>5,000,000</u>

The 1939 appropriation of \$20,000,000 for secondary or feeder roads consists of part (remainder) of the \$25,000,000 authorized for 1938 by Section 7 of the Hayden-Cartwright Act of June 16, 1936 (49 Stat. 1531); and the Budget estimate for 1940 is the full amount of the \$25,000,000 authorized by that Act for the fiscal year 1939.

(Section 2 of the Hayden-Cartwright Act of June 8, 1938 (52 Stat. 737), authorizes the appropriation of \$15,000,000 for secondary or feeder roads for the fiscal year 1940 and \$15,000,000 for 1941).

CHANGE IN LANGUAGE

Minor routine amendments are suggested in the language relating to the source of funds under existing authorizations.

WORK UNDER THIS APPROPRIATION

This appropriation is made for the construction of secondary or feeder roads, including farm-to-market roads, rural free delivery mail roads, and public-school bus routes. Although highway funds provided under emergency legislation were made available for the improvement of roads of this character, the Act of June 16, 1936, contained the first authorization for such work in the regular Federal-aid legislation. As required by that Act, the funds are to be apportioned and expended in the same manner as regular Federal-aid appropriation, equal weight being given to the three factors of area, population, and mileage of post roads. It is necessary for the States to match their apportionments so that the \$25,000,000 authorization for 1939 will provide a \$50,000,000 program of construction of secondary or feeder roads. The authorization for the fiscal year 1939 was apportioned on December 31, 1937, by States, as follows:

Apportionment of Federal-aid Secondary or Feeder Roads for Fiscal Year 1939

<u>State</u>	<u>Sum apportioned</u>	<u>State</u>	<u>Sum apportioned</u>
Alabama.....	\$520,033	New Jersey.....	\$332,408
Arizona.....	357,197	New Mexico.....	398,635
Arkansas.....	426,558	New York.....	1,221,002
California.....	947,054	North Carolina.....	583,883
Colorado.....	454,357	North Dakota.....	387,969
Connecticut.....	157,193	Ohio.....	903,572
Delaware.....	121,875	Oklahoma.....	585,791
Florida.....	333,899	Oregon.....	409,683
Georgia.....	630,970	Pennsylvania.....	1,058,347
Idaho.....	307,636	Rhode Island.....	121,875
Illinois.....	1,019,055	South Carolina.....	334,242
Indiana.....	612,636	South Dakota.....	405,860
Iowa.....	640,185	Tennessee.....	523,268
Kansas.....	656,636	Texas.....	1,557,548
Kentucky.....	459,814	Utah.....	282,160
Louisiana.....	358,238	Vermont.....	121,875
Maine.....	217,872	Virginia.....	453,975
Maryland.....	203,689	Washington.....	391,268
Massachusetts.....	345,193	West Virginia.....	271,585
Michigan.....	756,833	Wisconsin.....	606,067
Minnesota.....	680,544	Wyoming.....	311,972
Mississippi.....	439,385	Hawaii.....	121,875
Missouri.....	754,986	Puerto Rico.....	121,875
Montana.....	510,689	Reserve for adminis-	
Nebraska.....	515,823	tration and	
Nevada.....	318,034	engineering.....	625,000
New Hampshire.....	121,875	Total apportionment	<u>25,000,000</u>

(d) ELIMINATION OF GRADE CROSSINGS

Appropriation Act, 1939.....	\$40,000,000
Budget Estimate, 1940.....	<u>50,000,000</u>
Increase.....	<u>10,000,000</u>

The 1939 appropriation of \$40,000,000 for the elimination of grade-crossing hazards consists of part (remainder) of the \$50,000,000 authorized for 1938 by Section 8 of the Hayden-Cartwright Act of June 16, 1936 (49 Stat. 1521); and the Budget estimate for 1940 is the full amount of the \$50,000,000 authorized by that Act for the fiscal year 1939.

(Section 3 of the Hayden-Cartwright Act of June 8, 1938 (52 Stat. 634), authorizes the appropriation of \$20,000,000 for the elimination of grade-crossing hazards for the fiscal year 1940 and \$30,000,000 for 1941).

CHANGE IN LANGUAGE

The language relating to the source of funds under existing authorizations has been appropriately amended.

WORK UNDER THIS APPROPRIATION

This appropriation is made for the elimination of hazards to life at railroad grade crossings, including the separation or protection of grades at crossings, the reconstruction of existing railroad grade-crossing structures, and the relocation of highways to eliminate grade crossings. While the elimination of hazards to life at railroad grade crossings has always formed a part of the regular Federal-aid program, and \$200,000,000 was specifically allotted for this type of work exclusively from the funds provided in the Emergency Relief Appropriation Act of 1935, the Hayden-Cartwright Act of June 16, 1936, carried the first authorization exclusively for such work in regular Federal-aid legislation. The funds authorized are to be apportioned among the States (including Hawaii, Puerto Rico, and the District of Columbia) in accordance with the formula set up in the Hayden-Cartwright Act of June 16, 1936, i.e., one-half on the basis of population, one-fourth on the mileage of the Federal-aid highway system, and one-fourth on the mileage of railroads. These funds are made available to pay the full cost of construction without being required to be matched with State funds. The authorization for the fiscal year 1939 was apportioned on December 31, 1937, by States, as follows:

Apportionment for Elimination of Grade Crossings for Fiscal Year 1939

<u>State</u>	<u>Sum apportioned</u>	<u>State</u>	<u>Sum apportioned</u>
Alabama.....	\$986,449	New Jersey.....	\$972,568
Arizona.....	315,519	New Mexico.....	419,200
Arkansas.....	865,366	New York.....	3,345,530
California.....	1,825,553	North Carolina.....	1,242,912
Colorado.....	632,565	North Dakota.....	776,153
Connecticut.....	417,706	Ohio.....	2,087,464
Delaware.....	243,750	Oklahoma.....	1,125,334
Florida.....	692,981	Oregon.....	565,844
Georgia.....	1,194,288	Pennsylvania.....	2,826,864
Idaho.....	404,755	Rhode Island.....	243,750
Illinois.....	2,579,163	South Carolina.....	736,174
Indiana.....	1,270,383	South Dakota.....	674,361
Iowa.....	1,362,859	Tennessee.....	933,280
Kansas.....	1,271,424	Texas.....	2,674,043
Kentucky.....	894,871	Utah.....	321,103
Louisiana.....	777,845	Vermont.....	243,750
Maine.....	338,735	Virginia.....	935,084
Maryland.....	506,840	Washington.....	750,582
Massachusetts.....	1,021,971	West Virginia.....	652,386
Michigan.....	1,620,378	Wisconsin.....	1,220,338
Minnesota.....	1,313,891	Wyoming.....	331,769
Mississippi.....	777,444	District of Columbia.....	243,750
Missouri.....	1,496,333	Hawaii.....	243,750
Montana.....	653,267	Puerto Rico.....	360,341
Nebraska.....	871,434	Reserve for adminis-	
Nevada.....	243,750	tration and	
New Hampshire.....	243,750	engineering.....	1,250,000
		Total apportionment.....	<u>50,000,000</u>

(e) PUBLIC-LANDS HIGHWAYS

Appropriation Act, 1939.....	\$2,500,000
Budget Estimate, 1940.....	<u>1,000,000</u>
Decrease.....	<u>1,500,000</u>

The 1939 appropriation of \$2,500,000 for the construction of public-lands highways is the full amount authorized for that purpose in that year by Section 3 of the Hayden-Cartwright Act of June 16, 1936. Likewise the 1940 Budget estimate of \$1,000,000 is the full amount authorized for that year by Section 6 of the Hayden-Cartwright Act of June 8, 1938 (52 Stat. 738).

(Section 6 of the Act of June 8, 1938, also authorizes an appropriation of the \$2,000,000 for public-lands highways in the fiscal year 1941).

WORK UNDER THIS APPROPRIATION

This appropriation is made for the survey, construction, reconstruction, and maintenance of main roads through unappropriated or unreserved public lands, nontaxable Indian lands, or other Federal reservations other than forest reservations, under the provisions of Section 3 of the Federal Highway Act, as amended by the Act of June 24, 1930 (23 U. S. C. 3). The funds are apportioned among the States having more than 5 percent of their area in certain public lands, in the proportion that such lands in each State bear to the total area of such lands in all the eligible States. The authorization for the fiscal year 1939 was apportioned on December 31, 1937, by States, as follows:

<u>State</u>	<u>Sum apportioned</u>	<u>State</u>	<u>Sum apportioned</u>
Arizona.....	\$379,902	North Dakota.....	\$33,409
California.....	239,201	Oklahoma.....	28,777
Colorado.....	88,629	Oregon.....	167,394
Idaho.....	121,604	South Dakota.....	54,154
Montana.....	136,937	Utah.....	255,244
Nevada.....	559,895	Washington.....	38,507
New Mexico.....	203,940	Wyoming.....	<u>192,407</u>
		Total apportionment.....	<u>2,500,000</u>

(f) NATIONAL INDUSTRIAL RECOVERY, HIGHWAY FUNDS
(Act of June 16, 1933)

The schedule submitted in the Budget shows obligations of \$74,250 liquidated in 1938 and \$217,744 estimated for 1939 under prior-year allocations.

(g) PUBLIC-LANDS HIGHWAYS, EMERGENCY CONSTRUCTION
(Act of June 19, 1934)

The schedule submitted in the Budget shows liquidation in 1938 of prior-year obligations of \$916.

(h) INTER-AMERICAN HIGHWAY
(Transferred from State Department)

The schedule submitted in the Budget shows \$115,018 obligated during 1938 and estimated obligations of \$12,912 for 1939 out of a State Department allotment, provided by the Deficiency Appropriation Act, fiscal year 1934, approved June 19, 1934.

(i) EMERGENCY RELIEF, AGRICULTURE, HIGHWAYS,
GRADE-CROSSING ELIMINATION, ETC.

The schedule submitted in the Budget shows liquidation of prior-year obligations of \$971,997 during the fiscal year 1938 and \$1,330 estimated for the fiscal year 1939.

(j) FEDERAL EMERGENCY ADMINISTRATION OF PUBLIC WORKS (WORKING FUND)
(Supervision of miscellaneous road projects)

The schedule submitted in the Budget shows obligations of \$90,000 during 1938 and estimated obligations of \$50,000 during 1939 and \$50,000 during 1940 out of allotments provided by the Public Works Administration for engineering, inspection, and supervision of non-Federal road projects financed with grants or loans, including grants of Public Works funds. The dockets are transferred to the Bureau of Public Roads for supervision, but payments are made by the Public Works Administration on requisitions approved by the Bureau.

(k) PAN-AMERICAN HIGHWAY
(Transferred from State Department)

The schedule submitted in the Budget shows estimated obligations of \$50,000 during 1939 out of a State Department allotment, provided by the Second Deficiency Appropriation Act, fiscal year 1938, approved June 25, 1938.

BUREAU OF PUBLIC ROADS
PROJECT STATEMENT (ON BASIS OF EXPENDITURES)

The following table shows actual expenditures in 1938 and estimated expenditures in 1939 and 1940 for all purposes under total funds administered by the Bureau of Public Roads:

	EXPENDITURES		
	Actual, 1938	Estimated, 1939	Estimated, 1940
(1) General administration.....	<u>\$322,152</u>	<u>\$359,000</u>	<u>\$358,000</u>
(2) Engineering, supervision, and fiscal control at Washington headquarters.	<u>979,405</u>	<u>937,500</u>	<u>937,000</u>
(3) Engineering, supervision, and in- spection at field headquarters: Regional Office and Hawaii (head- quarters, San Francisco, California).....	79,578	73,500	73,000

PROJECT STATEMENT (EXPENDITURES) -- Continued.

EXPENDITURES			
	Actual, 1938	Estimated, 1939	Estimated, 1940
(3) Engineering, supervision, and inspection (field) -- continued.			
District No. 1 (headquarters, Portland, Oregon): States of Montana, Oregon, and Washington...	\$197,747	\$199,100	\$199,000
District No. 2 (headquarters, San Francisco, California): States of Arizona, California, and Nevada...	221,353	224,200	224,000
District No. 3 (headquarters, Denver, Colorado): States of Colorado, New Mexico, and Wyoming.	121,314	133,800	133,000
District No. 4 (headquarters, St. Paul, Minnesota): States of Minnesota, North Dakota, South Dakota, and Wisconsin.....	240,232	238,000	238,000
District No. 5 (headquarters, Omaha, Nebraska): States of Iowa, Kansas, Missouri, and Nebraska....	141,385	142,200	142,000
District No. 6 (headquarters, Fort Worth, Texas): States of Arkansas, Louisiana, Oklahoma, and Texas.....	261,052	249,100	249,000
District No. 7 (headquarters, Chicago, Illinois): States of Illinois, Indiana, Kentucky, and Michigan.....	148,480	152,900	152,000
District No. 8 (headquarters, Montgomery, Alabama): States of Alabama, Florida, Georgia, Mississippi, and Tennessee.....	253,321	256,300	256,000
District No. 9 (headquarters, Albany, New York): States of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, and Vermont.....	278,298	280,600	280,000
District No. 10 (headquarters, Washington, D. C.): States of Delaware, Maryland, Ohio, and Pennsylvania, and District of Columbia...	191,076	195,400	195,000
District No. 11 (headquarters, Juneau, Alaska).....	29,233	30,400	30,000
District No. 12 (headquarters, Ogden, Utah): States of Idaho and Utah...	106,514	106,700	106,000
District No. 14 (headquarters, Spartanburg, South Carolina): States of North Carolina, South Carolina, Virginia, and West Virginia.....	175,411	179,000	179,000

PROJECT STATEMENT (EXPENDITURES) -- Continued.

	EXPENDITURES		
	Actual, 1938	Estimated, 1939	Estimated, 1940
(3) Engineering, supervision, and inspection (field) - continued.			
District Office, Eastern Parks and Forests (headquarters, Washington, D.C.).....	\$59,425	\$59,800	\$59,000
Puerto Rico (headquarters, San Juan, Puerto Rico).....	<u>13,170</u>	<u>13,500</u>	<u>13,000</u>
Total, Engineering, supervision, and inspection at field headquarters.....	<u>2,517,589</u>	<u>2,534,500</u>	<u>2,528,000</u>
(4) Federal-aid highway progress and transportation maps.....	<u>91,340</u>	<u>93,800</u>	<u>93,000</u>
(5) Investigations of highway materials and structures:			
Investigations of nonbituminous road materials.....	48,008	43,100	43,100
Investigations of bituminous road materials.....	41,348	35,700	35,700
Highway subgrade investigations....	80,326	94,600	94,600
Investigations of structural design of pavement and bridges.....	65,885	67,000	67,000
Cooperative research and special investigations.....	<u>58,556</u>	<u>77,600</u>	<u>77,600</u>
Total, Investigations of highway materials and structures.....	<u>294,223</u>	<u>318,000</u>	<u>318,000</u>
(6) Investigations of highway transporta- tion problems:			
Highway planning surveys.....	495,226	453,000	453,000
Highway safety studies.....	41,541	20,200	20,200
General highway investigations....	<u>36,221</u>	<u>55,000</u>	<u>55,000</u>
Total, Investigations of high- way transportation problems.....	<u>572,988</u>	<u>528,200</u>	<u>528,200</u>
(7) Investigations of methods and cost of highway construction and maintenance	<u>28,136</u>	<u>19,700</u>	<u>19,700</u>
(8) Total for engineering, supervision, research, and administration (all items above).....	<u>4,805,833</u>	<u>4,790,700</u>	<u>4,781,900</u>
(9) Payments to States for highway construction.....	<u>226,120,067</u>	<u>236,191,326</u>	<u>227,848,100</u>

PROJECT STATEMENT (EXPENDITURES) -- Continued.

	EXPENDITURES		
	Actual, 1938	Estimated, 1939	Estimated 1940
(10) Construction by Bureau of Public Roads	<u>\$10,452,050</u>	<u>\$13,698,439</u>	<u>\$9,312,320</u>
(11) Engineering, construction, supervision, and administration of highway work for other Federal agencies.....	<u>1,803,534</u>	<u>1,807,731</u>	<u>1,240,993</u>
(12) Total expenditures from funds available directly to Bureau of Public Roads.....	<u>243,181,484</u>	<u>256,488,196</u>	<u>243,183,313</u>
(13) Actual and estimated expenditures by other Federal agencies for work under the supervision of the Bureau of Public Roads:			
Public Works Administration			
dockets.....	12,512,097	10,000,000	8,000,000
Nation Park work.....	8,054,795	10,800,000	8,000,000
Work-relief highways, P.W.A.....	<u>1,436,428</u>	<u>1,288,714</u>	<u>- - -</u>
Total for work paid for by other Federal agencies.....	<u>22,003,320</u>	<u>22,088,714</u>	<u>16,000,000</u>
(14) Grand total of work under supervision of Bureau of Public Roads..	<u>265,184,804</u>	<u>278,576,910</u>	<u>259,183,313</u>

BUREAU OF AGRICULTURAL ENGINEERING

The work of this bureau, except irrigation and drainage research, is merged in the 1940 Estimates with the chemical and technological research of the Bureau of Chemistry and Soils to form the Bureau of Agricultural Chemistry and Engineering. The irrigation and drainage research is transferred in the estimates as follows: The construction and hydrologic phases of farm irrigation and land drainage to the Soil Conservation Service; and the work relating to crop production on irrigable lands, the quality of irrigation water and its use by crops, and methods for improving and maintaining the productivity of irrigated soils to the Bureau of Plant Industry. The transfers from appropriations made in 1939 to the Bureau of Agricultural Engineering are shown in the following table:

Item	Appropriation, 1939	For transfer to Bureau of Plant Industry	For transfer to Soil Con- servation Service	For transfer to Bureau of Agri- cultural Chem- istry and Engineering
General administrative expenses	\$37,600	- -	- -	\$37,600
Agricultural engineer- ing investigations..	472,400	(a) \$32,347	(b) \$120,584	(c) 319,469
Total for 1939 base	510,000	32,347	120,584	357,069

- (a) Transferred to "Irrigation Agriculture" (formerly "Western Irrigation Agriculture").
- (b) Transferred to "Soil and Moisture Conservation and Land-Use Investigations."
- (c) Transferred to "Agricultural Engineering Investigations", under the new Bureau of Agricultural Chemistry and Engineering.

BUREAU OF AGRICULTURAL ECONOMICS

In the regrouping of functions of the Department to facilitate efficient administration, the service and regulatory work of the Bureau of Agricultural Economics provided for under various Acts of Congress relating to the marketing of farm products and other service work of a like character and necessary research work pertaining to the standardization, classification, grading, preparation for market, handling, and marketing of farm and food products, are transferred in the Budget to the "Agricultural Marketing Service". In addition, the Foreign Agricultural Service is transferred in the Budget to the Office of the Secretary.

The appropriations remaining in the Bureau of Agricultural Economics have been adjusted so as to retain the research and other activities which are concerned with the formulation of plans and programs for agriculture. This includes the fundamental research and statistical analysis relative to agricultural production, distribution, land utilization, and conservation in their broadest aspects, including farm management and practice, utilization of farm and food products, purchasing of farm supplies, farm population and rural life, farm labor, farm finance, insurance and taxation, adjustments in production to probable demand for the different farm and food products; and land ownership and values, costs, prices, and income in their relation to agriculture, including causes of their variations and trends. In addition, the Bureau of Agricultural Economics will assist other branches of the Department in formulating plans and programs relating to land use, wildlife conservation, farm tenancy, rural rehabilitation, marketing service and marketing regulatory work, program planning of the Agricultural Adjustment Administration, and other activities.

The transfers from appropriations made in 1939 to the Bureau of Agricultural Economics are shown in the following table:

Item	Appropriation, 1939	Retained in Bureau of Agricultural Economics	For transfer to Agricultural Marketing Service	For transfer to Foreign Agricultural Service
General administrative expenses.....	\$236,306	\$88,900	\$147,406	- -
Farm management and practice..	346,580	(a) 346,580	- -	- -
Marketing and distributing farm products.....	823,650	(a) 397,030	426,620	- -
Crop and livestock estimates..	(b) 681,289	(a) 38,490	642,799	- -
Foreign competition and demand	295,000	- -	- -	\$295,000
Market inspection of farm products.....	450,000	- -	450,000	- -
Tobacco Inspection Act.....	(c) 375,000	- -	375,000	- -
Tobacco stocks and standards..	17,187	- -	17,187	- -
Market news service	(d) 1,112,302	- -	1,112,302	- -
Perishable Agricultural Commodities Act.....	(e) 149,628	- -	149,628	- -
Standard Container, Hamper, and Produce Agency Acts.....	(f) 22,000	- -	22,000	- -
Cotton Quality Statistics and Classing Acts.....	450,000	(a) 20,000	430,000	- -
Cotton Futures Act.....	491,900	- -	491,900	- -
Grain Standards Act.....	723,941	- -	723,941	- -
Warehouse Act.....	(g) 391,700	- -	391,700	- -
Total.....	6,566,483	891,000	5,380,483	295,000

(a) These allotments from 1939 appropriations of the Bureau of Agricultural Economics (totaling \$802,100) are consolidated under a new appropriation title "Economic investigations" in the 1940 budget of that Bureau.

(b) Includes \$10,000 transferred from "Peanut stocks and standards."

(c) Includes \$10,000 transferred from "Market news service."

(d) Excludes \$10,000 transferred to "Tobacco Inspection Act."

(e) Includes \$5,738 transferred from "Standard Container, Hamper, and Produce Agency Acts."

(f) Excludes \$5,738 transferred to "Perishable Agricultural Commodities Act."

(g) Includes \$55,000 provided by Second Deficiency Appropriation Act, 1938.

BUREAU OF AGRICULTURAL ECONOMICS - Continued.

(a) SALARIES AND EXPENSES - PREAMBLE

Change in Language

It is recommended that the language of this paragraph be amended by the insertion of the underscored words, so as to read:

For the employment of such persons and means in the city of Washington and elsewhere as may be necessary in conducting investigations, experiments, and demonstrations, either independently or in cooperation with public or private agencies, organizations, or individuals.

The purpose of this amendment is to make the language conform to the generally accepted phraseology used elsewhere in the Appropriation Act and to specifically authorize cooperative relationships with organizations and individuals essential to the effective prosecution of the Bureau's work.

(b) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1939 (Allotment
from this appropriation to be
retained in 1940 Estimates).....\$88,900
Budget Estimate, 1940.....88,900

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
General administration and business service.....	\$92,391	\$88,900	\$88,900
Unobligated balance.....	409	- - -	- - -
Total appropriation.....	93,400	88,900	88,900

CHANGE IN LANGUAGE

It is recommended in the estimates that the language of this paragraph be amended by deletion of the words "the salary of Chief of Bureau and other". The present Chief of the Bureau is also Associate Administrator of the Agricultural Adjustment Administration, in charge of the Program Planning Division, from which source the salary is paid.

WORK UNDER THIS APPROPRIATION

The purpose of this appropriation is to provide for the general administration of the Bureau. It covers activities of the Chief and Assistant Chiefs of Bureau in formulating general policies to be acted upon by the various divisions of the Bureau, as well as the direction and general supervision of all the research and other work. The appropriation also covers the various service units connected with the business administration of the Bureau.

(c) ECONOMIC INVESTIGATIONS

This sub-appropriation, as submitted in the Budget Estimates is a consolidation of the authority and funds heretofore provided under the sub-appropriation "Farm Management and Practice", which has been retained in the Bureau of Agricultural Economics in its entirety, and of a part of the authority and funds heretofore provided under the sub-appropriations entitled "Marketing and Distributing Farm Products", "Crop and Livestock Estimates", and "Cotton Quality Statistics and Classing Acts". The three latter appropriations appear in the estimates under the Agricultural Marketing Service. The funds retained in the estimates under the Bureau of Agricultural Economics are shown in the table below.

Provision has also been requested in the estimates for the transfer into this appropriation of such sums as may be necessary for aiding in formulating programs for the authorized activities of the Department. Special authority now exists for the allotment of funds to agencies called upon to cooperate or assist in carrying on the work required by such recent enactments as the Soil Conservation and Domestic Allotment Act, the Agricultural Adjustment Acts, the Sugar Act, etc. In order to provide funds for program formulation applicable to the work of the old line agencies of the Department, however, transfers must be effected under the provisions of the Fortifications Act of May 21, 1920, as amended (31 U.S.C. 686), a cumbersome procedure involving the establishment of a separate fund for each such case, or else the work must be done on a reimbursable basis, which is not feasible in view of the limited working funds available to the Bureau of Agricultural Economics. The language proposed will permit the handling of all transferred funds for program formulation purposes in a uniform and orderly manner and is essential to an effective and competent handling of this basic service which the Bureau of Agricultural Economics is expected to render for all of the major programs of the Department.

Appropriation Act, 1939 (allotments from Bureau of Agricultural Economics appropriations to be retained in that Bureau and consolidated hereunder in 1940 estimates):

Farm Management and practice	\$346,580
Marketing and distributing farm products.	397,030
Crop and livestock estimates	38,490
Cotton Quality Statistics and Classing Acts	20,000
Total available, 1939	802,100
Budget Estimate, 1940	839,100
Increase	<u>37,000</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Agricultural finance studies	\$70,519	\$75,000	\$75,000	---
2. Economic studies of land use	79,884	77,900	77,900	---
3. Farm population and rural life studies	42,995	43,600	43,600	---
4. Farm management studies ..	156,108	150,080	150,080	---
5. General marketing studies	120,919	141,500	159,150	+\$17,650 (1)
6. Analysis and statistical research on agricultural conditions and trends	135,010	137,600	137,600	---
7. Outlook reports on the agricultural situation	142,320	146,000	165,350	+ 19,350 (2)
8. Interpretation and dissemination of economic information	30,924	(a) 30,420	30,420	---
Unobligated balance	38,421	---	---	---
Total appropriation ..	817,100	(a) 802,100	839,100	+ 37,000

(a) Includes \$150 transferred to Bureau of Standards, Department of Commerce, for photographic research.

INCREASES

The increase of \$37,000 in this item for 1940 consists of:

(1) An increase of \$17,650 for expansion of general marketing studies, including investigations of marketing facilities, price spreads, marketing costs, and changes in the marketing system.

Several studies already made by the Bureau have shown the need for definite and specific improvements in markets for perishable agricultural products, both in the large consuming cities and in the important shipping areas. These studies have attracted a great deal of interest among farmers and among dealers. They have led in several instances to definite plans for reorganizing important markets, including Kansas City and Atlanta, and to the development of improved markets in a number of shipping areas.

It is generally recognized that the costs of marketing perishable agricultural commodities are higher than necessary. Lack of proper facilities and proper regulation leads to a great deal of unnecessary handling and spoilage and requires a number of operations and costs which would be unnecessary if the markets could be reorganized to meet modern conditions.

The Department is receiving a large number of requests for studies of this kind. Recent requests include one for a study of so-called "regional truck markets" in five of the Southeastern States and a study of the New York City wholesale and jobbing markets to serve as a basis for recommending a program of market improvement in that city. It has been impossible for the Bureau to meet the requests which are being received, and it is believed that the work in this field should be greatly increased, since such studies are showing definite and practical possibilities of bringing about substantial improvements in the efficiency of marketing and lowering marketing costs and charges.

The Department has done very little statistical work to determine marketing costs and charges for farm products. A few years ago statistical studies were undertaken to make over-all estimates of the spread between prices received by farmers for their principal products and prices paid by city consumers for the foods made from these farm products. These studies have been very useful as a general picture of changes in the marketing bill over a period of time and as an indication of differences in marketing costs from one commodity to another. This sort of information is useful in showing the most important weaknesses in our marketing system and indicating the parts of the system which need the most study.

These studies should be expanded in several ways. First, a great deal more detailed work should be done to make the general data on price spreads more accurate and more complete. Second, studies will need to be made of the breakdown of the estimates of total price spreads into component parts to indicate, for example, the amount paid directly to labor, the amount going to transportation, etc. Third, and most important, the increase recommended under this project will make it possible to undertake studies to determine the reasons for changes in margins and costs, including, for example, a consideration of the effects of changes in transportation methods, wage rates, changes in packaging, etc.

Several studies now under way are aimed at describing and evaluating changes which have occurred and are occurring in the marketing system. During the past two years these studies have dealt primarily with the growth of large corporations engaged in the processing, wholesaling, and retailing of farm products and have been concerned with the economic effects of this development

in terms of the changes in the efficiency of marketing, in changes in the market organization and methods, and in the results of such changes in terms of their effects on prices and incomes of farmers and their effects on the consumer. These studies are to be continued and expanded to include historical studies of changes in the marketing systems for principal agricultural products; to determine as accurately as possible the reasons for such changes; to discover the economic effects of such changes on the farmer and the consumer; and to evaluate the present situation to indicate the most likely trends in the near future and suggest which of these changes are likely to be desirable and which undesirable. The studies should also indicate possible ways of encouraging developments in marketing which are likely to be most beneficial to agriculture and to the public as a whole.

The increase in the budget for these studies will make it possible to give more attention to developments in the retailing of food and other commodities made from farm products. There have been several important developments in retailing during the past decade. It is recognized that the retailer's margin in many cases represents a substantial part of the total spread between prices at the farm and prices paid by the city consumer. For that reason the American farmer has a real interest in any developments affecting the efficiency of the retailer. This is especially true since there is a growing tendency for State and local governments to regulate retailing or to encourage certain types and discourage other types.

The studies in this field will give careful consideration to State and Federal legislation affecting marketing methods and to the economic effects of State and Federal Government programs affecting marketing procedures and marketing methods. In this connection some consideration will be given to the economic basis for grades and standards adopted and enforced by the State and Federal governments. Also, these studies will be concerned with the maintenance of low-cost methods of distribution and methods of disposing of surplus agricultural commodities by methods which will remove these surpluses from the usual market channels and dispose of them in ways which will increase the farmer's income and which, at the same time, will make cheaper food available to consumers of low incomes.

(2) An increase of \$19,350 for expansion of work on outlook reports, especially statistical analyses of changes in commodity prices and of conditions responsible for such changes.

Since the World War repeated agricultural crises and efforts to solve the attendant problems have resulted in a constant demand for general economic and price analyses relating to a multitude of specific questions. Following the depression of 1921 the Bureau of Agricultural Economics organized and developed statistical and economic research for dealing with the economic problems of agriculture. This work, however, has been carried along upon a modest scale. With the expanded program designed for permanent aid to agriculture, it is urgent that more adequate provision be made for economic research to be carried on by the established research organizations of the Department. Large business concerns find research necessary for wise adminis-

tration and for progress. The Government likewise should provide for research to check the results of its expenditures or of its programs and to determine what action may in the future bring the most fruitful results.

The need for statistical research has greatly increased in recent years because of the requirements of the agencies and programs set up by Congress in aid of agriculture. Analyses are necessary, first, in the formulation of policy and specific legislation based on an understanding of causes of price and income changes and the probable effects of alternative remedies. In the consideration of plans such as subsidizing exports, reducing marketing margins, adjusting agricultural production, and stabilizing prices by means of loan programs, points frequently are encountered which can be answered only by factual analysis.

Statistical research is absolutely essential in administering specific measures in aid of agriculture after they have been set up by the Congress or by local agencies. It is much more satisfactory and less costly, in the long run, to provide in advance for this necessary statistical information than to wait until the acute need arises.

Although these demands for the results of statistical research for use in answering current pressing policy and administrative problems of action programs furnish the most obvious reasons for providing adequately for such work, the needs of farmers, local business firms, both cooperative and private, and State agencies are even greater. Members of Congress are continually receiving requests for information from constituents which are referred to the Bureau, answers to which frequently require supplementary studies. Likewise, the needs of Congressional committees frequently entail considerable statistical research. Local government agencies request information about economic conditions in their local areas and answers to economic problems of agriculture arising therein. Above all, increasingly larger numbers of farmers are coming to look to the Bureau for information on prospective changes in supplies, demand, and prices of the products in which they are interested for use in planning their production enterprises and marketing schedules.

Statistical price analysis is essential in dealing with each of the products of agriculture in order to provide a basis for the Bureau's national outlook service. This service has been organized and developed for farmers as an aid to them in planning the production and marketing of their products. It is also essential to all the agencies which are concerned with the economic problems of agriculture, including the Farm Credit Administration and the Farm Security Administration, as well as the Agricultural Adjustment Administration. Price analysis is essential in formulating the production and marketing programs of the Agricultural Adjustment Administration and in determining the loan and collection programs of the Farm Credit Administration. The Surplus Commodity Corporation must have a basis for determining in advance the commodities which are likely to have prices so low in the marketing season that it may be desirable or necessary to make purchases, what

quantities it should or may be able to purchase, and what is likely to be the price effect of the purchases made by that Corporation.

CHANGE IN LANGUAGE

A new paragraph has been substituted for the two paragraphs which were formerly carried under "Farm management and practice" and "Marketing and distributing farm products". The appropriation "Economic investigations" is made up of transfers from the following items which were appropriated for in 1939 under the Bureau of Agricultural Economics:

"Farm management and practice"	\$346,580
"Marketing and distributing farm products" ...	397,030
"Crop and livestock estimates"	38,490
"Cotton Quality Statistics and Classing Acts"	20,000
	802,100

This change in language is incidental to the reorganization of the activities under the Bureau of Agricultural Economics and the Agricultural Marketing Service. The funds derived from four separate appropriation items have been thrown together for greater efficiency in handling and presenting the work. Provision is included also, as explained previously, for the transfer of funds to cover the cost of program formulation in connection with the activities of various units of the Department.

The activities under the four appropriations mentioned above which are concerned with the forming of programs and plans for the guidance of the entire group of agricultural adjustment, conservation, and marketing services to farmers and to the general public are retained under the Bureau of Agricultural Economics. No change is contemplated in the character of activities already under way.

WORK UNDER THIS APPROPRIATION

General.--The realignment of activities under this appropriation will make it possible to render greater assistance in formulating plans and programs for the entire Department of Agriculture. This work will help co-ordinate the work of the many new agencies authorized by Congress in recent years and furnish assistance to State agricultural workers. The Department has recently entered into an agreement with the Land Grant College Association for the purpose of bringing about the organization of county and State groups which will give farmers an effective voice in forming, correlating, and localizing public agricultural programs. The Bureau of Agricultural Economics will act as a coordinating agency to bring the State and local planning work into effective integration with the general program-planning activities of the Bureau and of the Department.

This appropriation provides for economic and statistical research covering most of the important farm products. Analyses are made of the great volume of statistics gathered largely by the various activities of the Department in order to establish the statistical position of each agricultural product. These data are published in periodic bulletins

on the agricultural situation and are drawn upon to furnish a basis for action programs and general policy planning. In order to meet the demand for information relating to the supply, demand, and prices for farm products, the Bureau maintains a large number of different statistical series.

Investigations are made to determine the types of farming in various geographical units and the factors which shape such types. Work is carried on to determine the most effective form of organization of farms, including size, crops and livestock grown, financial and labor organizations, and other matters concerning the farm as an economic producing unit. Analyses are made of the problems of farm mortgage financing and production and marketing credit. Farm taxation is studied and information published on trends in tax burdens, farm tax delinquency, and possible farm tax reductions through economies in rural government and changes in taxation. Studies of farm insurance, farm population movements, standards of living, and various other farm problems are also made. Research work on land economics is directed toward assistance in formulating a definite, consistent, and unified land policy, including a planned utilization of all land resources. This comprises also studies of trends in the value of farm lands, conditions in the farm real-estate market, and the various conditions influencing the value of farm real estate. The work is closely coordinated with the program under Title III of the Farm Tenant Act and with the activities of the Agricultural Adjustment Administration, the Soil Conservation Service, the Farm Security Administration, and other agencies.

1. Agricultural Finance Studies.-- This project covers studies of farm credit, farm taxation, and farm insurance.

Under the heading of credit studies are included analysis of the mortgage-debt situation, the specialized credit needs that arise in various types of agriculture, the credit facilities at the disposal of farmers, the practices employed in the operation of such facilities, and the terms and conditions on which credit is made available to farmers.

Through the credit studies information is obtained and made available on amounts, distribution, sources, and trends of farm debt. Estimates of total farm-mortgage indebtedness by States are prepared annually, and information on agricultural loans held by commercial banks is made available semiannually. Data on farmer bankruptcies and on demand deposits of country banks also are made available currently.

In analyzing the credit needs of farmers and the credit facilities at their disposal, emphasis is placed on the proper uses of credit or the uses that seem most likely to promote the welfare of farmers. To serve this end, credit studies are coordinated so far as possible with farm-management studies to determine what types of financing the individual farm operator requires in order to make the most advantageous use of the natural resources in his farm unit. An effort also is made to determine to what extent the use of credit for various agricultural purposes promotes or retards the adjustment of the individual operator's

plan of action to the broad programs of agricultural rehabilitation that are being undertaken by the Federal Government. Such information is needed for the threefold purpose of (a) counseling farmers and lending agencies as to the best practices in borrowing or lending for agricultural purposes, (b) appraising agricultural credit facilities from the standpoint of both adequacy and adaptability to farmers' requirements, and (c) determining how credit policy (central banking policy as made effective through the Federal Reserve System, the Farm Credit Administration, or other Federal agencies) may be employed to promote the success of the agricultural programs.

The farm tax situation has become more complex within the past several years, and at the same time the Bureau's principal sources of current data on farm property taxes have become less satisfactory. Changes in tax structure have brought new elements or new emphases into the farm tax situation. This makes important the investigation of the effect of these changes in addition to checking current information for bias or change in meaning and significance.

A 35 percent decline in real estate taxes per acre between 1929 and 1934 has temporarily given a distorted view of the farm tax situation. During this period there were almost universal increases in motor-vehicle imposts and sales taxes were imposed in about half the States. Thus there is question whether the farmers' total tax contribution did actually decline particularly in relation to his ability to pay.

Important specific problems to be analyzed under this appropriation include homestead tax exemption; sales tax incidence; special assessments on farms; relationships of taxation to other elements in the rural economic situations, such as organization of local government, income of farmers, types of farming, and land policy; total tax payments by farmers; and the distribution of government services between social groups and between aids to production and final (consumer) services.

Careful study of these problems is needed in order to make available important information required in the program of the Department for improved land utilization and the conservation of land resources and in calculating net income of agriculture.

The farm-insurance studies deal with problems of farm risks and their elimination through insurance, protective measures, and safeguards. Specifically, consideration is given to "all risk" crop insurance, hail insurance, windstorm insurance, fire insurance, livestock insurance, and accident insurance. They include investigation of farm hazards against which insurance is written, or possibly could be written, and means of eliminating such hazards, e.g., through farm fire-protection measures. Problems of the farmer as well as of the farm enterprise are considered, such as life insurance and life annuities.

2. Economic Studies of Land Use.-- The land-use studies are essentially of a research character, designed to accomplish the fact-

finding and analysis necessary to provide a sound foundation for the various practical steps in land policy and improved land use.

Cooperative studies are carried on with State and local agencies directed toward the identification of those situations where the rural population pattern is poorly adjusted to land resources so as to guide the application of the land-use adjustment program and also toward the identification of areas offering superior opportunities for creating new farms so as to increase the effectiveness of the rural settlement activity. The problems involved in giving effect to desirable readjustments, and the adaptability of measures for bringing about such adjustments or for preventing maladjustments under given situations, are being studied in order to determine desirable public policies for facilitating the readjustments found desirable.

For the purpose of providing a critical and unbiased appraisal of current changes in the farm real estate situation an annual survey is conducted to determine changes in farm values and in frequency of voluntary and forced sales of farms, together with an analysis of the effects on values of such factors as income, taxation, credit policies, methods of handling distressed farm real estate, and other economic factors. The eleventh number of the series "The Farm Real Estate Situation", covering the year 1935-36, has been published, and preparation of the report for the two-year period 1936-38 is in progress. Cooperation is extended to other departments and agencies of the Government in connection with land appraisal and other aspects of land use as a part of land acquisition and flood control programs.

3. Farm Population and Rural Life Studies.-- Information is compiled on the trends of farm population, the causes of movements to and from the farm, and other economic aspects of population shifts, including an annual estimate of the number of persons living on farms. Population migration is a vital factor in maintaining the balance between agricultural and industrial activities, and information on the subject has been eagerly sought by agricultural workers throughout the United States. Population research underlies land-use planning, rural rehabilitation, and agricultural adjustments. Expenditures of farm families have been obtained and analyzed as an index to the economic situation in various localities.

Before plans for roads, power lines, and other facilities for public consumption can be satisfactorily projected, the future population of small geographic areas must be predicted. Private companies engaged in construction work employ experts to determine the feasibility and construction programs in rural areas. If governmental agencies are to avoid over-construction of power lines, roads, school buildings, and the like in some areas or a failure to serve the people because of inadequate facilities in other areas, population prediction must be made.

In order to attain its objectives, a governmental agency must consider the habits, attitudes, and beliefs of the people with whom it deals. It is necessary to ascertain the state of mind of the farmer as related to the administrative programs. After the program is launched

it is also necessary to determine its effects upon the thinking of the people. The most efficient programs from the short-time point of view may bring about conditions which, from the long-time point of view, might be disastrous. Studies of the farmers' attitudes are necessary for the planning of action as well as for carrying logically developed plans to a successful consummation.

It is generally agreed that if rural life is to be raised to a higher plane this must be accomplished in no small measure through educational programs. Such agencies as the Extension Service, Farm Security Administration, Soil Conservation Service, and many others are recognizing the necessity for measuring the extent to which their educational endeavors have been successful. Furthermore, they recognize the need for better methods of education. Studies of the extent to which objectives have been obtained and of educational methods are greatly needed.

The extent to which the other activity programs of the Department are attaining their objectives must ultimately be measured in the better levels of living of the rural people. Also the impact of catastrophes such as depressions and droughts are reflected in the living of the farm people. Studies of the levels of living of the farm people are necessary to determine what activity programs are required. They are also needed to determine the results of activity programs under way.

4. Farm Management Studies.---Studies are made of farms and ranches in actual operation to determine the types and sizes of farms and the farm practices in each area that are likely to return the highest incomes in view of the special soil and climatic conditions in the area, the market outlets, and the outlook for agricultural products. Information is obtained on costs, income, and returns from farms of different kinds and sizes. In cooperation with practical farmers, adjustment suggestions are developed to meet new situations such as those occasioned by changes in the demand for the products grown; by agricultural improvements, such as hybrid seed corn and mechanical developments; and by the need for a program of soil conservation. In brief, the work is concerned with the economic aspects of farm production.

The family-sized farm and hope of ultimate ownership has been the mainstay of American agriculture; but low prices associated with industrial depression and shrinking foreign markets, long drought periods, soil depletion, and technological developments resulting in increased commercialization have injected unforeseen hazards into the operation of family farms, and many agricultural leaders are wondering whether the family-sized farms can survive the shocks to which they are subjected. It is important at this time, therefore, to undertake a series of studies which will attack the most outstanding adjustment problem facing family farms in the regions where the most important changes are under way or where the problems have been previously neglected. These problems are briefly described below. Attention should also be given to establishing adequate measurements of the changes in economic welfare of family farms of different types, sizes, and locations.

The outstanding problem in the South is the low average income per farm family. During the period 1924-35 the average gross farm income in 10 major cotton States averaged \$190 per capita of farm population. The situation in foreign markets and the possibilities of mechanical developments in cotton production point in the direction of even lower incomes and greater inequality of distribution unless major adjustments in farming and in farm population are undertaken. The attack on this problem should be to study the possibility of substituting other crops and pasture on a part of the cotton acreage and utilization of resulting displaced labor. The limits to expanding the acreage of food and feed crops needs to be fully explored; also the adaptation of mechanical developments to family-sized farms.

In the Northeast the development of commercial dairy, fruit, and truck farms to supply adjacent market has left many eddies of relatively "self-sufficing" or noncommercial farms. The possibilities of increasing the economic welfare of this class of farmers is a relatively neglected subject and one on which concentrated study is badly needed. The competitive effects on family farms in this region of improvements in transportation, the preservation of farm products, and adjustments in other regions should also be studied.

Of major importance in the Midwest is the effect of certain technological improvements on the organization and the income prospects of the family-sized farm. The introduction of hybrid seed corn and certain mechanical improvements, such as the rubber-tired tractor and the small combine, will have important repercussions on family-sized farms in this region and may intensify competition in other areas. Sales of multiple-row cultivators and two-row corn pickers broke all records in 1935 and 1936. The effects of hybrid seed corn and these mechanical developments is likely to be cumulative. A study should be developed to determine the farm adjustments necessary to face these trends without undue hardships.

In the Great Plains the recent drought has emphasized the need for studies showing the influence of high crop risks on the stability of family farms. The economic failure of a large number of existing farms raises the problem of what type of farming and what size of farm will support a farm family over a period of years. In the mountain and Pacific regions family-sized ranching units need to be studied from the standpoint of developing a balance between livestock numbers, the long-term carrying capacity of the range, and the winter feed supply. Of equal importance is the development of stable self-supporting family farms on irrigation projects. This question must have increased attention because of the new irrigation developments and the large migrations of farmers into these regions.

5. General Marketing Studies.--The Division of Marketing Research carries on a program of research in the general field of marketing agricultural products, dealing chiefly with regional and national problems. Most of these problems are concerned with the marketing of several products and involve questions of national policy. Examples of

such problems are the development of sound marketing agreements; the coordination of Federal, State, and municipal regulations concerning the marketing of farm products; and the development of efficient and adequate facilities for handling farm products in regional and terminal markets.

The Division has under way a series of studies dealing with some of the economic problems connected with the development of large-scale processing and distribution of agricultural products. Two studies in this series were completed during the past year. One dealt with the chain-store distribution of fruits and vegetables in the Northeastern States and the other with sales, capitalization, and earnings of leading food and tobacco corporations. Reports have been published summarizing the conclusions of these two studies. The first of these studies shows that the chain-store organizations now handle about 27 percent of the total volume of fruits and vegetables sold at retail in the larger cities of the Northeast, and indicate that the chains have been able to develop a highly efficient system of wholesaling, warehousing, and distribution to their retail units.

Substantial progress has been made on studies of wholesale market facilities in some of the principal cities of the United States. Although the field work in Philadelphia was completed in a report issued over a year ago, it has been necessary to do further work in that city from time to time, and some progress has been made toward carrying out the recommendations made in the report.

During the past year a somewhat similar study was made in Kansas City. A report was issued summarizing the situation in that city and making definite recommendations for a new market to serve Kansas City, Mo., and Kansas City, Kans. According to latest reports, the construction of that market will probably start some time during the calendar year 1938.

6. Analyses and Statistical Research on Agricultural Conditions and Trends.—The work under this project is set forth under subheads as follows:

(a) Analysis of Changes in, and Factors Affecting, the Consumption of and the Demand for Farm Products.—There is great need for information on the consumption of farm products, by commodities and by regions, which the Bureau is endeavoring to meet. Little is known about consumer buying habits, the factors causing changes in them, and their effects on prices and consumption. Under this project a long-time program for gradually refining available data on production, shipments, imports, exports, and other market movements will be conducted, designed to add each year to information on these important subjects. Raw data are now available relating to the purchases of foods made by a large number of families in New York City, with related data on income and other family characteristics. Analysis of these data contributes information that is essential in meeting many questions of vital concern to farmers.

Probably at least half of the changes in prices of agricultural commodities, and a much larger part of the changes in total farm income,

are due to changes in demand conditions. Despite the extreme importance of these fluctuations in demand as affecting farm prices and incomes and the general agricultural situation, very few analyses have been made designed to disclose the relationship between specific demand factors and changes in prices and incomes. The necessities arising in the administration of national agricultural programs have intensified the need for information of this character, particularly such as can be used currently in appraising prospective demand conditions which will affect the results of and the most desirable methods to be utilized in the administration of these programs.

(b) Historical Analyses of Changes in the Economic Status of Agriculture.---Not all of the economic problems of agriculture can be treated in terms of statistics, and statistical treatments need to be supplemented by evaluations from general historical evidence. Careful investigation of the historical development of agriculture throws light on current agricultural problems and helps to anticipate problems which are likely to arise in the future. Although the conditions of today are different from those of yesterday, they have been definitely shaped by forces operating in the past. Therefore, analyses of the historical background of present agricultural statistics contribute to an understanding of them.

(c) Agricultural Income Analysis.---The Agricultural Adjustment Act of 1938 sets up certain objectives in terms of agricultural income, following similar standards provided for in the Soil Conservation and Domestic Allotment Act, as amended. For administrative purposes in carrying out the provisions of these Acts, it is necessary that a large amount of additional information on the income status of farmers be made available. However, this is not the only, or indeed the most important, use of such information on agricultural income. An increasing number of requests is received by the Bureau of Agricultural Economics from year to year for information of this kind, and partly to meet these demands it has been necessary to expand the farm income work of the Bureau. The income status of agriculture also is of utmost importance in the development of plans in aid of agriculture by the Congress, the Administration, and State and local legislative and administrative bodies.

The work on agricultural income includes obtaining, compiling, and refining data on prices of commodities which farmers sell and buy, the volume of sales and purchases, and the bringing together of all these thousands of miscellaneous data in estimates of gross farm income, cash income from farm marketings, and net income. It is also necessary to break these estimates down by commodities and States. All these involve an immense amount of clerical work and an intimate knowledge of the data available from many sources.

(d) Analyses of Economic Conditions of Agriculture and of Special Geographic and Commodity Problems.---There are a large number of special research problems which do not definitely fall under any of the other sub-projects described herein, yet which in total are quite important. These special problems relate to such items as legislative programs, tariffs, and regional and State problems.

In connection with the claims arising under legislation by the Congress relating to processing taxes levied under the Agricultural Adjustment Act, for example, it was necessary to determine the incidence of the processing taxes, such information being highly important both to the Government agencies involved and to others. For this purpose it was necessary to have, in addition to the fundamental price analyses developed as a part of the regular research program of the Bureau, special analyses of the relation between the specific conditions involved under the processing taxes and general price-making forces. These special analyses were made by the Bureau of Agricultural Economics and published by the Treasury Department. Similarly, questions relating to the possible effects of various proposals for legislation in aid of agriculture frequently require special analyses, entirely aside from the need for the more fundamental type of statistical price analysis developed as part of the regular research program. Problems of this kind are continually presented to the Bureau.

Other special problems of a quite different nature present themselves as a result of the interests of farm organizations, business firms, and local and State governmental agencies in problems of a more localized character. Much of the statistical analysis carried on by the Bureau in the past necessarily has been devoted to national problems, but some attention is given to the latter type of problem in response to the more urgent needs. For example, a study now is under way, in response to a Congressional resolution, dealing with the effectiveness of the tariff on flaxseed and linseed oil and excise taxes on competing oils, a problem which is of special interest to farmers in a relatively few States.

(e) Compiling and Coordinating Marketing and General Agricultural Statistics.--- Basic to all price, income, or other statistical or economic analyses are adequate data on many subjects. Statistical series relating to agriculture are based on data collected by many agencies, including a number of different branches of the Federal Government. For maximum usefulness these data must be brought together and placed in readily available form. Heretofore much of this statistical information has been rather widely scattered, and as a result it has not been put to maximum use. It sometimes has been difficult to know just where to turn for a particular kind of statistical information on agriculture, and inconvenience occasionally has resulted from the lack of some central place of record. An attempt is being made to meet this need by setting up within the Bureau of Agricultural Economics a statistical pool, where a wide variety of statistical data relating to agriculture can be brought together in convenient form readily available for use by any interested party. In no other way can the expenditure of a relatively small sum add so much to the usefulness of data on which large amounts already have been expended for collection by the various agencies. Because of the size of the job and the desire to keep expenditures for this purpose to a minimum, it probably will require some time before the statistical pool can be placed on a fully satisfactory operating basis. This will also depend partly upon the experience gained with the project from year to year. Many statistical data are available only in scattered form in miscellaneous daily,

weekly, monthly, quarterly, or annual publications. In order to be of maximum usefulness, these data must be compiled in tabulated form, averaged, totaled, and otherwise treated to be put in the form of readily usable statistical series. The work under this subproject will consist in large measure of such compilations.

7. Outlook Reports on the Agricultural Situation.-- Statistical analyses depend in large measure upon basic statistical work in which have been developed such commonly used measures as demand curves, indices of seasonal variation, and the like. It is necessary to know the factors affecting the prices of different commodities and the relationship between changes in these factors and in prices and incomes. Such studies usually require a great deal of painstaking research extending over a considerable period of time. This is the continuing program of fundamental statistical price analysis on which the Bureau has been engaged for some time. The Bureau's information on these subjects is far from adequate, but effort is being made to fill in the principal gaps in our knowledge of these subjects.

(Some of the types of analyses and specific uses to which they are put, as developed under this program of research, have been enumerated in the section of this statement prepared in justification of the increase of \$19,300 recommended for 1940, as shown above.)

8. Interpretation and Dissemination of Economic Information.-- The statistical and economic editorial, informational, and distribution work of the Bureau is done for all forms of release -- publication, mimeographed reports, press releases, radio broadcasts, exhibits, motion pictures and materials for extension workers. All Bureau publications are appraised, verified, edited, and prepared in form for release. Manuscripts and reports on statistical and economic subjects are prepared to meet various forms of inquiry.

The Department publication "The Agricultural Situation" is edited and supervision is maintained over all Bureau mailing lists and periodicals. Charts covering economic information are prepared and sold to extension workers and others, and exhibits are prepared for fairs and expositions in cooperation with the Extension Service of the Department. Many special releases covering various phases of the Bureau's work, as well as information on statistical and economic subjects in reply to inquiry, are prepared.

(d) TOTAL, BUREAU OF AGRICULTURAL ECONOMICS

Change in Language

It is recommended that the language of this paragraph be amended by substituting for "Total" the words "In all, salaries and expenses" and adding after the Bureau name the phrase "to be accounted for as one fund".

For explanation of this change see general note under Office of Experiment Stations, page 54.

SUPPLEMENTAL FUNDS
(Complete bureau statement)

Projects	Obligated 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Special Research Fund, Department of Agriculture (Bureau of Agricultural Economics):</u> For special researches on economic factors affecting the farm industry.....	\$126,084	\$109,630	\$105,830
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture (New Uses and Markets for Agricultural Commodities, Regional Laboratories, and Surveys), Bureau of Agricultural Economics:</u> Economic research in connection with survey to determine location of regional agricultural laboratories and scope of their investigations..	- -	10,000	- -
<u>Agricultural Adjustment Administration (Salaries and Expenses) (Bureau of Agricultural Economics):</u>			
Development, in cooperation with the New England Research Council, of a plan of research in connection with the marketing of dairy products in New England.....	9,807	6,000	6,000
Assisting in investigations relating to meteorological factors affecting crop yields..	5,317	5,500	5,500
Total.....	15,124	11,500	11,500
<u>Conservation and Use of Agricultural Land Resources (Adjustments in Freight Rates for Farm Products) (Bureau of Agricultural Economics):</u>			
Statistical work and other services in connection with the administration of Title II of the Agricultural Adjustment Act.....	- -	64,000	100,000
<u>Conservation and Use of Agricultural Land Resources (Bureau of Agricultural Economics):</u> For statistical work and other services in connection with the administration of Title III of the Agricultural Adjustment Act.....	113,334	113,500	113,500

SUPPLEMENTAL FUNDS -- Continued.

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Administration of Federal Crop Insurance Act, Department of Agriculture (Bureau of Agricultural Economics):</u> Statistical and other services required in carrying out the provisions of the Federal Crop Insurance Act.....	- -	\$50,000	\$50,000
<u>Land Utilization and Retirement of Submarginal Land, Department of Agriculture (Bureau of Agricultural Economics):</u> Development of program for conserving land resources and utilizing land to the best advantage.....	\$333,876	1,190,637	978,500
<u>Flood Control, General (transfer to Agriculture) (Bureau of Agricultural Economics):</u> For preliminary examinations and surveys for run-off and water-flow retardation and soil-erosion prevention on watersheds of flood-control projects authorized by law.....	36,781	536,768	536,768
<u>Development of Water Facilities, Arid and Semiarid Areas, Department of Agriculture (Bureau of Agricultural Economics):</u> Assistance in development of a program for providing facilities for water storage and utilization, to be reflected in better utilization of land resources.....	- -	25,000	25,000
<u>Emergency Relief, Agriculture, Bureau of Agricultural Economics, Water Conservation for Rural Rehabilitation:</u> Surveys in connection with water conservation, dams, reservoirs, and other facilities for water storage and utilization.....	- -	202,390	- -

SUPPLEMENTAL FUNDS - Continued.

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Emergency Relief Appropriation Act, 1937:</u>			
Survey of farm mortgages, land values and transfers, and farm taxes.....	\$190,726	- -	- -
Administrative expenses in con- nection with above projects....	5,000	- -	- -
Total.....	195,726		
Total, Supplemental Funds.....	820,925	\$2,313,385	\$1,921,098

AGRICULTURAL MARKETING SERVICE

The service and regulatory work of the Bureau of Agricultural Economics and activities relating directly thereto, including research on the standardization, classification, grading, preparation for market, handling, and marketing of farm and food products, have been transferred from the Bureau of Agricultural Economics to the unit estimated for under the heading "Agricultural Marketing Service". In addition, the administration of the "Federal Seed Act" and of the "Packers and Stockyards Act" have been transferred from the Bureaus of Plant Industry and Animal Industry, respectively. The changes affecting the Agricultural Marketing Service, on the basis of the fiscal year 1939, are shown in the following table:

<u>Bureau and appropriation item</u>	<u>Amount proposed for transfer (1939 base)</u>
<u>Bureau of Agricultural Economics:</u>	
General administrative expenses.....	\$147,406
Marketing and distributing farm products.....	426,620
Crop and livestock estimates.....	642,799 (a)
Market inspection of farm products.....	450,000
Tobacco Inspection Act.....	375,000 (b)
Tobacco stocks and standards.....	17,187
Market news service.....	1,112,302 (c)
Perishable Agricultural Commodities Act*.....	149,628 (d)
Standard Container, Hamper, and Produce Agency Acts**	22,000 (e)
Cotton Quality Statistics and Classing Acts.....	430,000
U.S. Cotton Futures and U.S. Cotton Standards Acts..	491,900
U.S. Grain Standards Act.....	723,941
U.S. Warehouse Act.....	<u>391,700 (f)</u>
Total, transfer from Bureau of Agricultural Economics (1939 base).....	<u>5,380,483</u>
<u>Bureau of Plant Industry:</u>	
General administrative expenses.....	1,800
Seed investigations.....	<u>52,293</u>
Total, transfer from Bureau of Plant Industry.....	<u>54,093</u>
<u>Bureau of Animal Industry:</u>	
General administrative expenses.....	8,100
Packers and Stockyards Act.....	<u>381,879</u>
Total, transfer from Bureau of Animal Industry (1939 base).....	<u>389,979</u>
Total.....	<u><u>5,824,555</u></u>

- (a) Includes \$10,000 transferred from "Peanut stocks and standards."
 (b) Includes \$10,000 transferred from "Market news service."
 (c) Excludes \$10,000 transferred to "Tobacco Inspection Act."
 (d) Includes \$5,738 transferred from "Standard Container, Hamper, and Produce Agency Acts."

- (e) Excludes \$5,738 transferred to "Perishable Agricultural Commodities Act."
- (f) Includes \$55,000 provided by "Second Deficiency Appropriation Act, 1938."

* Title recommended changed to "Perishable Agricultural Commodities and Produce Agency Acts" in Estimates for 1940.

** Title recommended changed to "Standard Container Acts" in 1940 Estimates.

AGRICULTURAL MARKETING SERVICE - Continued

(a) SALARIES AND EXPENSES - PREAMBLE

Changes in Language

The appropriations for the Agricultural Marketing Service have been transferred from the Bureaus of Agricultural Economics, Plant Industry, and Animal Industry. It is necessary, therefore, to provide an enabling paragraph. This paragraph conforms to the phraseology used elsewhere in the Appropriation Act.

(b) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1939 (allotments to be transferred in 1940 Estimates):

"General Administrative Expenses", Bureau of Agricultural Economics (incident to transfer of marketing research, service, and regulatory work from the Bureau of Agricultural Economics)	\$147,406
"General Administrative Expenses", Bureau of Animal Industry (incident to transfer of item "Packers and Stockyards Act") . . .	8,100
"General Administrative Expenses", Bureau of Plant Industry (incident to transfer of item "Federal Seed Act" (Seed Investigations) from the Bureau of Plant Industry)	1,800
Total available, 1939	157,306
Budget Estimate, 1940	157,306

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
General administration and business service	\$152,686	\$157,306	\$157,306

CHANGE IN LANGUAGE

This paragraph is submitted to cover the general administration of the Agricultural Marketing Service. It conforms to the phraseology used elsewhere in the Appropriation Act.

(c) MARKETING FARM PRODUCTS

Appropriation Act, 1939 (allotment transferred in 1940 Estimates from "Marketing and Distributing Farm Products", Bureau of Agricultural Economics, incident to the transfer of marketing research, service, and regulatory work from the Bureau of Agricultural Economics) \$426,620
 Budget Estimate, 1940..... 418,970
 Decrease..... 7,650

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase or decrease
1. Fruits and vegetables, marketing research on	\$43,609	\$45,800	\$45,800	--
2. Livestock, meats, and wool, marketing research on	74,436	72,100	79,450	+\$7,350 (1)
3. Dairy and poultry products, marketing research on.....	20,073	21,900	21,900	--
4. Hay, feed, and seed, marketing research on	43,908	43,000	43,000	--
5. Cotton standards and marketing research....	175,880	157,800	142,800	- 15,000 (2)
6. Grain standardization and marketing research.....	60,248	60,500	60,500	--
7. Interpretation and dissemination of information.....	27,766	25,520	25,520	--
Unobligated balance.....	10,700	--	--	--
Total appropriation...	456,620	426,620	418,970	- 7,650

INCREASES OR DECREASES

The decrease of \$7,650 in this item for 1940 consists of:

(1) An increase of \$7,350 for expansion of the standardization work on meats. The demand for meat grading is continuing to increase and has extended to a number of meat products and specialty meats for which standards have not as yet been prepared. In order to extend meat

grading to these specialty meats and meat products it is necessary that standards first be prepared in accordance with which they can be graded. Hog producers have requested that standards be prepared for lard. It is proposed to employ a specialist who is familiar with lard manufacture to prepare standards for lard in conjunction with the preparation of standards for the grades of specialty meats and meat products. Standards have been prepared for beef, veal, lamb, and mutton carcasses and principal wholesale cuts. Trade agencies and consumers are, however, continuing to request the extension of meat grading to the additional commodities mentioned for which standards have not been prepared.

Consumers are urging grade identification on practically all food products, including meat. Ordinances providing for the mandatory grading of all meat and meat food products have in the past few months been considered in a number of cities. Standards for carcass meats and the principal wholesale cuts have been prepared and are now in use. Standards for many secondary cuts, prepared meats, and meat food products have not, however, been prepared and the preparation thereof necessitates the employment of a specialist of broad experience in packing-house and meat distribution practices. The specialist employed with this increase would be required to devote a large percentage of his time to a study of the manufacture and distribution of these products. Some of the work would be done at Beltsville but a considerable part of it would have to be done at large packing centers where the manufacture and distribution of specialty meats and meat products had been perfected to a high degree.

It is planned to utilize half the time of a livestock specialist to supervise the application of the official United States standards at all the markets at which these standards are employed in reporting market conditions and market prices. One of the principal uses for livestock market reports is to enable producers to compare market conditions, relative supplies, and prices at the various markets and, as a result of such comparison and analysis, to direct their livestock to the best market. In order to enable producers to make such comparison accurately it is essential that there be uniformity in the interpretation and application of the official United States standards. In order to insure this uniformity more supervision is needed.

(2) A decrease of \$15,000 under the project "Cotton standards and marketing research". This decrease is due to the dropping of a non-recurring item provided in the 1939 Agricultural Appropriation Act for laboratory conditioning equipment.

CHANGES IN LANGUAGE

A new paragraph is submitted covering the standardization, handling, and marketing research which is being transferred from the Bureau of Agricultural Economics to the Agricultural Marketing Service. No change is contemplated in the character of the activities transferred.

WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for research covering most of the important farm products. Problems connected with handling, grading, packing, shipping, and marketing of products are studied and recommendations are made for improvements. Numerous laboratory studies are carried on such as spinning and ginning tests of various types and grades of cotton, and milling, baking, and other tests are made in connection with the grading of grain. Extensive research is carried on concerning problems connected with the grading of farm products and methods and practices employed in their handling and marketing.

1. Marketing Research on Fruits and Vegetables. -- The object of this work is to bring about improvement in the handling and marketing of fruits and vegetables and to develop standards and grades for universal use in the grading and marketing of fruits and vegetables. Since the beginning of this work 91 sets of United States standards, defining in detail the quality and size requirements and tolerance for 60 of the most important fresh fruit and vegetable crops, have been worked out and published. These standards furnish a common language between buyer and seller and facilitate efficient marketing. They are used as a basis for the inspection and market news services for fruits and vegetables and are fundamental to the administration of the Perishable Agricultural Commodities Act. They are also used by the Agricultural Adjustment Administration in connection with marketing agreements and the purchase of products for relief purposes.

Information on methods of handling, grading, packing, and marketing fruits and vegetables is in constant demand by growers and shippers. Several bulletins were issued during the year covering the marketing of important fruits and vegetables, as well as reports on carlot movement and other statistics. Developments in marketing which are of particular current interest are being studied, such as the use of consumer size containers; marketing by motor truck; grading, marking, and inspection legislation, both State and national; and the working out of practices which will result in more effective marketing of fruits and vegetables. There is a widespread demand for official information and recommendations regarding these phases of marketing.

2. Marketing Research on Livestock, Meats and Wool. -- This project covers the preparation of standards and studies of livestock marketing methods and practices. Attention is being given to the growth of the marketing of livestock at country points and to the more recent rapid development of livestock auctions and the factors which have contributed to the changes in marketing methods. Slaughter tests with animals of different grades and weights and from different areas of production are made for the purpose of ascertaining the variations in product yields and in market values according to class and grade and method of finishing and the effect of these variations on prices. Cooperation is maintained with other bureaus of the Department in this work.

The wool standardization work embraces preparation and distribution of practical forms of the official standards for diameter of

fiber of wool and wool top, distribution of wedge ruler strips for fiber measurement, and research for improvement and extension of the standards. Investigations are made in general and local methods of preparing, packing, and other steps in wool marketing. Considerable wool is graded at the farms and ranches in the wool-producing areas. Experimental work in grading wool in the producing section has been carried on. Wool shrinkage research is concerned with the study of the extraneous matter and clean content of grease wool, the methods for their determination, the local and seasonal variations, etc. During the fiscal year an extensive dual program has been carried on for the development of a reliable method of sampling clips at the ranch and the perfection of a method for the laboratory scouring of the samples. Specialists were in the field throughout the shearing season appraising and sampling clips for purposes of laboratory testing of the samples under controlled conditions. The development of a standard method of obtaining the shrinkage of a clip of wool from the testing of small samples is being given particular attention.

3. Marketing Research on Dairy and Poultry Products. -- The object of this work is to conduct thorough studies of the marketing of dairy and poultry products, including methods of their preparation for market. Standards are prepared for the various products and their use explained and demonstrated. Studies are made also of the production, marketing, and consumption of these products, price quotations, and trade practices. Assistance is given in meeting special problems resulting from changing conditions and in working out more efficient and economical methods and practices.

Research work is conducted on technological problems in connection with the development and establishment of standards for dairy and poultry products in cooperation with other agencies. During the past year the butter grades were revised and have been promulgated as mandatory standards for future trading under the Commodity Exchange Act.

4. Marketing Research on Hay, Feed, and Seed. -- This project covers studies of methods and practices in connection with the marketing of various types of hay, alfalfa, alfalfa meal, beans, soybeans, peas, seeds, etc. Assistance is given on special problems and effort is made to work out improvements in methods leading to the more efficient and economical handling of these products. Standards have been prepared for most of the commercial classes of hay, beans, soybeans, and peas but additional research and educational work should be done.

Standardization studies are essential in keeping the official standards in line with changes in the industries. The value of the standards depends in part on the degree of accuracy with which they reflect the value of these commodities from the standpoint of the manufacturer and consumer. Standardization studies are also closely allied with other marketing problems, including the effect of storage and transportation on quality and factors which may effect a change in condition or quality during any stage of marketing procedure.

5. Cotton Standards and Marketing Research. -- Among other things, it is the purpose of these studies to relate the various fiber properties to more fundamental physical constants; to find the relations between the fiber properties and the properties of the manufactured products; to provide practicable methods for recognition of the properties and comparison with the standards; and to supply more accurate controls for graduation, establishment, and reproduction of the standards. It is the purpose of still other studies to find out how to improve the properties through breeding and cultural methods, in cooperation with other branches of the Department; how to retain them in the cotton through proper ginning; and how to utilize them most effectively in manufacture.

During the past year the technique of cross-sectioning cotton fibers has been greatly perfected and speeded up. It may now be applied in a routine fashion for study of cotton fiber quality. Tentative laboratory standards and specifications have been developed whereby the relative position or rank of a sample may be determined on a basis of the cross-sectional features. A rapid method for determining cotton fiber length and related characteristics by use of a photoelectric cell is under development. An apparatus in rough form has been constructed which will semi-automatically record the properties of mean fiber length, modal length, upper quartile length, and the uniformity of length of cotton. Fiber analysis has gone forward on cotton of 16 selected varieties grown at 14 different locations across the American cotton belt and 7 varieties at 4 locations in the Southwest irrigated region. When this study is completed it is believed that the results will be of great use in carrying out Department programs for cotton quality improvement. An artificially-daylighted room has been developed and found practicable for grading cotton. Progress has been made on the development of an automatic recording analyzer for cotton grading, early models of which have given encouraging results.

The cotton marketing research embraces studies of factors which define the territory served by selected local, central, and spinners' markets; specialization of business within such markets; methods of accumulating, concentrating, selecting, describing, and distributing cotton in and through such markets; including determination of limits; methods of making purchases and sales at fixed prices and on call; methods of fixation in call transactions; domestic and export calculations, reimbursements, reclamations, arbitrations, and allowances; baling, compressing, tare, and patching practices; rules of organized markets and trade groups; costs of handling and selling; and evolutionary trends in these fields.

The following are lines of work of particular interest which have been or are being done in this field: (1) The development of mechanical sampling of cotton bales while they are being formed at gins so as to provide a cross-section of the contents of each bale in order to eliminate the cutting of bales for samples in marketing channels and to eliminate careless and fraudulent practices in the packing of bales; (2) the development of a system of permanent identification of individual cotton bales designed to facilitate the use

through marketing channels of initial sampling and classification of the bale and intended to reduce the expense of duplication of such service and to fix responsibility for the manner in which bales are packed and to enable individual producers or groups of producers who are growing superior cotton to secure proper recognition for their efforts; (3) an analysis of movement, points of concentration, and ultimate distribution of raw cotton for various producing areas as a basis for providing more effective marketing service; (4) an analysis of costs of services incident to marketing raw cotton as a basis for determining possibilities for reducing marketing margins; (5) the standardization of cotton bale covering materials with a view to providing a better cotton bale package and to facilitating trading on net weights; (6) and the development of marketing procedures in local markets in which cotton growers sell that will enable growers to realize prices consistent with the quality of their product.

6. Grain Standardization and Marketing Research.-- This project covers the work of the milling, baking, and grain testing laboratory and other work connected with the formulation and revision of grain standards and in meeting special problems and establishing policies with respect to the interpretation and application of the standards under the Grain Standards Act. This project cooperates with the Bureau of Plant Industry in ascertaining the milling and baking properties of the many hundreds of wheat varieties grown by that Bureau throughout the country, thus enabling the crop-production units of the Department to select desirable varieties which have been tested in comparison with the commercial lots of grain which are tested in connection with formulation and revision of grain standards.

Special research on grain-grading equipment was conducted during the past year. An improved hopper with automatic feed control was devised for use with the Federal Dockage Tester. Division employees designed several other important devices for sizing grain. Moisture-test studies on corn took a great deal of attention because of difficulties encountered due to the abundance of early-harvested and immature corn. Work was continued on methods and practices involved in the harvesting, handling, storing, cleaning, artificial drying, and bulk handling of grain, with a view to developing methods for improving quality and market value of the grain and to avoid losses from deterioration of the grain while it is in storage or during transportation.

The research work on grain has not been keeping pace with the evolutionary changes in grain handling and marketing practices. The volume of current research work in the Washington research laboratories is greater than the staff can handle promptly and efficiently. An important example of this situation is found in the matter of moisture-testing devices. Since the official adoption of the Tag-Heppenstall moisture meter several other inventors have designed electric moisture meters which they claim will make grain moisture tests with greater efficiency than the Tag-Heppenstall device and which they claim can be sold to the public for a much lower price. Grain inspectors, elevator superintendents, and mill operators, however, will not purchase

these devices until the Grain Division recommends them for the purposes of official grain inspection. It is a matter of public responsibility to check these devices and to advise the public of their usefulness. Relatively long-time studies with many thousands of samples, however, are essential to reach conclusions.

7. Interpretation and Dissemination of Information.-- The editorial, informational, and general distribution work of the Bureau is done for all forms of release--publication, mimeographed reports, press releases, radio broadcasts, exhibits, motion pictures, and materials for extension workers. All Bureau publications are appraised, verified, edited, and prepared in form for release. Manuscripts, statistical summaries, and reports are prepared to meet various forms of inquiry.

The Department publication "Crops and Markets" is edited and supervision is maintained over all Bureau mailing lists and periodicals. Supervision is maintained over the photographic laboratory, and job printing and mimeographing orders are handled. Many special releases covering various phases of the Bureau's work, as well as information on statistical subjects in reply to inquiry, are prepared.

(d) CROP AND LIVESTOCK ESTIMATES

Appropriation Act, 1939 (allotment transferred in 1940 Estimates from "Crop and Livestock Estimates", \$632,799, and "Peanut Stocks and Standards", \$10,000, Bureau of Agricultural Economics) \$642,799(a)
 Budget Estimate, 1940 742,510
 Increase 99,711

(a) \$671,289 for "Crop and Livestock Estimates" and \$10,000 for "Peanut Stocks and Standards", Bureau of Agricultural Economics, less allotment of \$38,490 to "Economic Investigations", Bureau of Agricultural Economics; net transfer to Agricultural Marketing Service, \$642,799.

PROJECT STATEMENT

	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Crop and livestock reports	\$651,368	\$642,799	\$742,510	+\$99,711(1)
Unobligated balance . . .	6,431	- -	- -	- -
Total appropriation. .	657,799	642,799	742,510	+ 99,711

INCREASE

(1) An increase of \$99,711 is proposed in this item for 1940 for the purpose of expanding the statistical information on the following commodities: (a) grain, hay, and seeds, \$19,711; (b) apples, \$20,000 (c) potatoes, \$10,000; (d) dairy products, \$25,000; (e) poultry, \$20,000; and (f) peanuts, \$5,000.

In response to the needs of American agriculture, the service, by the Government, of estimating the acreage, yields, and production of crops and numbers of livestock produced has grown steadily since it was begun 75 years ago. This service has become the principal source of current data on farm production and on many other phases of agriculture, including the prices paid and received by farmers; wages of farm labor; and the movement, utilization, and stocks of various agricultural products. Its field organization is used also to gather numerous other data with respect to changes in farm population, land values, tenancy, and other economic factors affecting agriculture.

The development of this service has been due partly to the growth of agriculture itself and to increase in the facilities and processes required for handling farm production, but more particularly to the recognition by producers themselves that they need an unbiased public source of information which otherwise would be unavailable to them. Large concerns that handle farm products and traders on the commodity exchanges ordinarily represent sufficient concentration of economic power to provide means of getting for themselves much of the information needed in their business. But the individual producer, the small business man, and the public generally do not have access to that information, nor is there assurance that the information, even if available, would be unbiased and dependable.

While the uses made of crop and livestock estimates in the past 75 years has varied with the scope of and public interest in agriculture and with the ever changing complexity of the domestic and world situation confronting farmers, it has always been a strong stabilizing influence as official public information designed to aid individual producers in conducting their farming business. However, additional needs arise for more complete and detailed information as the use of these official estimates is extended to ever-widening analyses of the agricultural situation.

The National Government, in cooperation with the States and individual producers, is regulating crop acreages, assigning quotas to individual producers, buying surpluses for relief distribution, checking erosion on individual farms, compensating farmers for changing their practices in the interest of conservation, insuring against crop losses, and influencing farm prices and income in relation to the income of other groups. The Government is also lending money on supplies in storage, for the purchase and operation of farms, for building power lines in farming areas, and for cooperative enterprise. It is buying and diverting to other uses land unsuited for farming; is building farm-to-market roads where there is reasonable prospect of permanency of farming and rural community life; and is rehabilitating rural people who have been stranded in situations of extreme poverty due in no small degree to planless land settlement and rural drift. Calamities such as widespread drouth and flood are now of immediate public responsibility, and programs to ameliorate suffering and loss have become a matter of national responsibility.

These programs involve public expenditures of hundreds of millions of dollars annually. It is too often overlooked that those agencies charged with the responsibility of administering these programs must have adequate, dependable data. Without adequate data, policies are more

likely to miss the objectives which the people, through the Government, seek to achieve, programs are in danger of suffering the fate that would befall a great engineering structure built upon an insecure foundation, and administrative action may become too costly and lacking in the serviceability which the people and Congress expect.

It is with these reasons in mind that an increase in appropriations for Crop and Livestock Estimates is requested. Sound coordination of work in the Department requires that Crop and Livestock Estimates should function adequately as the central agency furnishing data, not only to meet the general needs for public information of direct value to individual producers and to the public at large, but also to meet, in part, the growing requirements of administrative agencies carrying out governmental programs.

The \$99,711 increase recommended would, if granted, be expended by projects as follows:

(a) An increase of \$19,711 for expanding the work on estimating acreage and production of grain, hay, and seeds.-- The increase requested for this group of crops would be applied primarily to partial improvement of the reports on grain stocks, a limited extension of field measurements in developing objective methods of estimating acreage and yields, restoration of estimates on broomcorn, and a much-needed increase in field work on approximately 20 grass and clover seed crops.

There is need for a more adequate basis of estimating stocks of grain and hay on farms and in the hands of first receivers, such as mills and warehouses. The need for periodic reports on stocks of these commodities in the hands of farmers, and country mills and elevators requires more frequent reports. This is necessary to the administration of the present A.A.A. program wherever plans or decisions must take into account data on total supply.

Much work needs to be done in completing the roster of such establishments and developing their interest in reporting and improving cooperative relationships with them. To make further advance in the uses of objective types of data in estimating acreage and yield of crops, it is desirable that there be a moderate extension of the use of the crop meter, which has furnished unusually reliable indications of acreage changes under certain conditions, and in the development and extension of actual field measurements of yields at harvest. Less than half of the requested amount would be used for the work on grain stocks and field measurement work.

About \$8,000 of this \$19,711 item would be devoted to necessary improvements in the reports on acreage, yield, and production of seed crops. These crops are grown in widely scattered areas. To provide an adequate estimating basis requires extensive travel and an almost complete enumeration for most of these crops. It is desirable also to resume the publication of certain reports on the broomcorn crop, discontinued several years ago because of inability to provide adequate coverage of conditions during the crop's growing season, and at least \$3,000 is required to provide the information for the minimum number of such reports.

(b) An increase of \$20,000 to provide for estimating the commercial production of apples.-- The State series of estimates on the total apple crop was begun in 1915. Three years later, at the request of commercial orchardists, an additional series of "commercial" crop estimates was begun. These were intended to differentiate that part of the crop grown primarily for sale. In recent years, with marked shifts in transportation, handling, and utilization of the crop, it has become increasingly difficult to secure adequate data to compile satisfactory estimates. The methods that were entirely suited to crop and marketing conditions ten or more years ago fail to produce the desired accuracy of forecast and estimate under present conditions.

The rapid increase in motor-truck transportation in recent years and the attendant difficulty of securing adequate records of such movement as a check on the production represent major handicaps but are only typical of the changed conditions compelling more detailed methods of estimating the crop. The growers and their organizations are very much interested in having the commercial estimates continued and are deeply concerned that adequate measures are employed to assure reasonable accuracy. The accuracy and representativeness of the estimates cannot be guaranteed in the use of the present methods. Improvement to meet current conditions will require funds for a substantial revamping of the existing techniques and more extensive field work in, and reports from, the major commercial areas, not only to assure adequate indications during the growing season but to provide full records at the end of the season to piece out the utilization of the crop.

(c) An increase of \$10,000 to expand estimates on potatoes, including statistics on utilization, stocks on hand, and late summer supplies.-- In addition to the standard forecasts of acreage, yield, production, and price of potatoes, there is a widespread and insistent demand among potato growers for timely and accurate information on farm holdings of potatoes which furnish the principal market supply during the winter months, for separate data on that part of the main crop which is harvested during late summer and does not go into storage, and also for more reliable information on the utilization and disposition of the total crop. All of this information is needed as a guide to growers in formulating marketing and production programs.

With present facilities it is impossible to undertake these services in a manner which is satisfactory to the potato industry. Considerable improvement could be made, however, with the moderate outlay of funds requested. The January 1 stocks report, which in past years has been issued under tremendous handicap (although it is considered by many growers as the most important report issued), could be improved and an early release assured. The scope of the present reports could be broadened to furnish supplementary information on the early-harvest supply of potatoes in the important late-producing States. More thorough studies could be made of the utilization of the crop as an aid in furnishing reliable information on quantities available for sale.

(d) An increase of \$25,000 for estimates on the production and value of dairy products.-- The vast size and importance of the dairy industry, the



growth of dairy cooperatives, the closer governmental regulation of the fluid milk section of the industry, and the efforts being made to stabilize the butter market all greatly increase the need for adequate statistics on the production and consumption of dairy products.

In 1937 the total cash income of farmers from dairy products amounted to \$1,530,000,000. Expenditures by consumers for dairy products exceeded 4 percent of the national income. Sales by cooperative organizations handling dairy products amounted to \$686,000,000. These organizations include approximately 10 percent of the farmers of the United States. They are conducting very large manufacturing, storage, and distribution operations. Some are endeavoring to guide their members in adjusting milk production to the prospective demand for dairy products. They are making full use of such statistics as are issued and need much more complete, more detailed, and more accurate statistics than can now be supplied.

The increase of \$25,000 recommended for expanding the service on dairy products would be used as follows:

(1) \$10,000 for expansion of statistics on milk.--This sum would be allotted for the collection of statistics on milk consumption in cities, to begin work on the preparation of monthly estimates of milk production, and to secure information on commercial milk deliveries and on sales of milk for fluid use in a few States where State agencies will provide most of the funds.

There is increasing recognition of the public's right to a regular supply of good quality milk at a reasonable price. As a result, the retail value of the milk and cream now sold under the strict regulations of State, county, and municipal boards of health or in accordance with terms and prices fixed by State control boards probably exceeds \$1,000,000,000 per year. If these public agencies are to be fair to both producers and consumers under rapidly changing economic conditions affecting the industry, and if they are to improve quality and stabilize production without unduly increasing prices and reducing consumption, they need adequate statistics on per capita consumption of milk in various areas and on the factors responsible for the differences among cities and for the variations from year to year.

(2) \$15,000 for weekly estimates of butter production.-- The request for a weekly estimate of butter production came from the dairy industry itself after certain private organizations were found unable to collect data and make satisfactory estimates. The object of such estimates is to aid in the determination of butter prices that are just to both producer and consumer. The daily butter price is established primarily by trading on the two markets of Chicago and New York and is influenced by the visible supply. The weekly report of butter production will make it possible to anticipate the visible supply several days in advance. This would be a significant aid in establishing prices within a relatively narrow range for short periods and make the long-time change more gradual and more responsive to supply and demand.

(e) An increase of \$20,000 for expanding the service on poultry statistics, including reports on hatchery and farm production of poultry.-- This increase will be used to meet the demand of poultry producers for wider

scope and greater accuracy of poultry statistics. The scope of the annual poultry estimates should be broadened to include more specific information on turkeys, hatchery chick production, mortality rates, and types of chickens produced. It will be possible also to improve the accuracy of present monthly reports of per-farm average numbers of layers, young chickens, pullets, and egg production and to expand the monthly reports to include estimates of the actual numbers of layers on hand and eggs produced, young chickens, turkey poults in July, and stock turkeys in September and to make estimates of the commercial production of eggs and chickens. The inadequacy of data with respect to commercial production, as distinguished from farm production, has been for years an outstanding weakness in poultry statistics.

These data are needed by commercial producers, associations of producers, organizations engaged in the transportation, processing, and marketing of poultry products, and by the great number of individual farmers whose poultry flocks provide a material part of the cash income of the farm family. At present the field is only partially covered. The number of farm-producer reporters should be greatly increased and the number of commercial-producer reporters at least trebled in order to get sufficient returns for accurate estimates. Part of the funds would be used to increase the number of reports from hatcheries and to develop a system of monthly estimates of all hatchings now demanded by various baby-chick associations.

Poultry production and marketing are specially subject to severe fluctuations. A higher degree of stability in the industry as a whole would benefit both producers and consumers. This stability can be achieved only through adjustments in production and in marketing, storage operations, etc. To this end it is necessary to make the improvements in poultry statistics that would be only possible under the proposed increase of funds.

(f) An increase of \$5,000 for expanding the data on peanut stocks and standards.-- This increase is needed to meet requirements under the new legislation approved June 24, 1936, and amended May 12, 1938, to include not only stocks of peanuts but also amounts received, shipped, and processed. Such a program will greatly increase the size of the schedule calling for these data, as well as the number of firms and individuals to whom the schedules must be sent. Furthermore, the amended Act makes it mandatory upon the Secretary to secure reports from pickers and threshers. Under the original Act the Secretary was authorized, but not directed, to secure reports from pickers and threshers. As there are about 10,000 of these, and their numbers change rapidly, the cost of handling the work under this Act will be greatly increased.

During the current year an effort was made to build up a mailing list of pickers and cleaners in all States producing peanuts, to whom schedules were sent. Despite earnest efforts to secure returns, only part of these operators have reported. It will require extensive travel and work with county agents and others to secure reasonably full returns.

CROP AND LIVESTOCK ESTIMATES

CHANGE IN LANGUAGE

In view of the proposed consolidation of the item "Peanut stocks and standards" with this appropriation, the language of the paragraph has been amended to include the collection and publication of statistics of peanuts.

The work under the Act entitled "An Act to provide for the collection and publication of statistics of peanuts by the Department of Agriculture", approved June 24, 1936, and amended May 12, 1938, is closely related to that carried on under the appropriation for "Crop and livestock estimates" and is now conducted under the supervision of personnel who are employed the larger part of the time under the regular activities of the Division of Crop and Livestock Estimates. This recommendation is in the interest of simplification of the budget and will facilitate the accounting operations of the Bureau.

WORK UNDER THIS APPROPRIATION

The work of the crop reporting service includes the estimating of acreage, yield per acre, quantity of production, farm utilization, and sales of more than 100 crops (cotton; 29 grain, hay, forage, and legume crops; 17 clover and grass seeds; 25 fruits and nuts; 26 vegetables and truck crops; 4 sugar and sirup crops; and 5 miscellaneous crops); inventories of livestock; estimates of livestock and poultry production; and production estimates for milk, wool, and eggs; also monthly and annual estimates of farm prices to serve as a basis for evaluating the production of crops, livestock, and livestock products and for measuring the rise and fall of prices of farm products as a group. The work includes the collection and publication of timely information concerning the progress of growing crops, forecasts of production, estimates of stocks of commodities in the hands of farmers and first receivers, etc.; forecasts of livestock numbers; and many other special reports. In securing the information on which the various estimates and forecasts were based the division distributed around 9,000,000 copies of questionnaires during the past year.

Most of the tabulation and original preparation of estimates is done in the 40 offices maintained in the various States. In all, 24 State departments or boards of agriculture and 6 State colleges of agriculture are cooperating in the maintenance of these offices. The branch offices are located at Albany, N. Y.; Athens, Ga.; Austin, Tex.; Boise, Idaho; Boston, Mass.; Charleston, W. Va.; Cheyenne, Wyo.; College Park, Md.; Columbia, Mo.; Columbia, S. C.; Columbus, Ohio; Denver, Colo.; Des Moines, Iowa; Fargo, N. Dak.; Gulfport, Miss.; Harrisburg, Pa.; Helena, Mont.; Knoxville, Tenn.; Lansing, Mich.; Las Cruces, N. Mex.; Lincoln, Nebr.; Little Rock, Ark.; Louisville, Ky.; Madison, Wis.; Montgomery, Ala.; New Orleans, La.; Oklahoma City, Okla.; Orlando, Fla.; Phoenix, Ariz.; Portland, Oreg.; Raleigh, N. C.; Richmond, Va.; Sacramento, Calif.; Salt Lake City, Utah; Sioux Falls, S. Dak.; Springfield, Ill.; St. Paul, Minn.; Topeka, Kans.; Trenton, N. H.; and West Lafayette, Ind.

SUPPLEMENTAL FUNDS

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Agricultural Adjustment Administration (Salaries and Expenses)</u> <u>(Agricultural Marketing Service):</u> Crop and livestock estimates covering on-tree prices for fruit; statistics of prices paid by farmers; and numbers of milk cows.....	\$37,714	\$133,500	\$133,500
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture (Agricultural Marketing Service):</u> Crop production data required by the Agricultural Adjustment Administration in establishing county quotas and related work.....	274,202	186,500	186,500
<u>Administration of Federal Crop Insurance Act, Department of Agriculture (Agricultural Marketing Service):</u> Gathering and compiling production statistics and other information to assist in carrying out the provisions of the Federal Crop Insurance Act..	- -	20,000	42,310
Total, Supplemental Funds.....	311,916	340,000	362,310

(c) MARKET INSPECTION OF FARM PRODUCTS

Appropriation Act, 1939 (Bureau of Agricultural Economics).....	\$450,000
Budget Estimate, 1940.....	500,000
Increase.....	<u>50,000</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Inspection and certification of fruits and vegetables	\$272,827	\$273,795	\$288,795	+ \$15,000(1)
2. Grading and certification of canned fruits and vegetables.....	25,350	34,400	43,400	+ 9,000(2)
3. Grading and certification of dairy and poultry products	42,941	48,090	57,090	+ 9,000(3)
4. Inspection and certification of hay, beans, soybeans, etc.....	28,257	28,350	33,350	+ 5,000(4)
5. Grading and certification of livestock and meats.....	30,640	35,750	42,750	+ 7,000(5)
6. Inspection and certification of rice.....	4,576	4,615	9,615	+ 5,000(6)
7. Grading and certification of cottonseed.....	18,534	25,000	25,000	- - -
Unobligated balance.....	3,375	- - -	- - -	- - -
Total appropriation.....	426,500	450,000	500,000	+ 50,000

INCREASES

The increase of \$50,000 in this item for 1940 consists of:

(1) An increase of \$15,000 for additional supervisors and inspectors for the inspection and certification service on fruits and vegetables. This increase will be used to provide one shipping-point supervisor, to be transferred from place to place as needed, and one additional inspector each at St. Louis, New Orleans, and Boston. This additional personnel is required not only to take care of the normal increase in work but to meet the additional demand incidental to the operation of the marketing agreements under the Agricultural Adjustment Administration. More complaints have been received during the past year because of the Bureau's inability to handle inspection work in various parts of the country than ever before in the history of the service. Additional supervision is urgently needed also to check the work of the licensed inspectors and to insure uniformity in inspection procedure throughout the service.

(2) An increase of \$9,000 for work on the grading and certification of canned fruits and vegetables. This increase will be used to expand the work at San Francisco and to furnish service for short periods in Harlingen, Texas, and at other points. The inspectors to be stationed at each of these cities will cover the canning districts in the adjacent territory. There is an actively growing demand for this service, both on the part of the canning industry and institutions purchasing canned foods, which it is impossible for the Bureau to meet with its present staff.

(3) An increase of \$9,000 for additional supervision of the grading of dairy and poultry products. This increase will be used to provide additional personnel to meet the increased demand for service at Chicago, Illinois, and adjacent States and for additional assistance in Washington, D. C. The present staff of trained employees is inadequate to furnish the desired service. There is an urgent need for the extension of the service on butter, cheese, eggs, and dressed poultry. The increase will be used for supervision of the increased number of licensed inspectors. The volume of work is steadily increasing and it cannot be further extended with assurance that it will be conducted properly unless more supervision is provided. Additional assistance is needed in Washington, D. C., to supervise all cooperative agreements and disbursements thereunder and for handling correspondence in connection with the approval of labels and certificates of quality.

(4) An increase of \$5,000 for supervising the grading of soybeans and other products. This increase will be used for additional itinerant personnel to take care of the rapidly growing demand for service on soybeans and other products in various parts of the country. The increase will provide for one additional man who will work out from the Chicago office. Appeal inspections, particularly on soybeans, are increasing. This necessitates having a man at each supervision office at all times who is qualified to handle appeals.

(5) An increase of \$7,000 for the grading and certification of live-stock. The grading of cattle, calves, lambs, and hogs in the States of Maryland, Virginia, West Virginia, Tennessee, North Carolina, and Georgia has been conducted on an experimental and educational basis for the past several years. Livestock in these States are now being graded by State marketing officials. In order to insure adherence to the Federal standards and uniformity between States and also to facilitate trading, producers and State marketing officials from the States where livestock is being graded have requested the Bureau to supervise grading, license graders, and provide for the issuance of cooperative Federal-State certificates setting forth the class and grade of the livestock graded. The establishment of such a service will facilitate the marketing of livestock by grade in the Southeastern States, indirectly result in livestock improvement, and eventually result in an increase in the income derived by producers from the sale of livestock in those States.

(6) An increase of \$5,000 for supervision of the inspection and certification of rice.--This increase will be used for additional personnel and their expenses for supervising licensed inspectors of rice. The rice inspection service, both in the Southern States and in California, is of basic importance to the exporting of rice, and Federal certificates

are in demand. A steady future growth is probable in the quantities of rice inspected and in Federal revenues from cooperative agreements with the States.

WORK UNDER THIS APPROPRIATION

General.--This appropriation provides a disinterested inspection and grading service for farm products. This service is permissive in character, the Federal inspector making the inspection only at the request of an interested party. Certificates are issued which constitute prima facie evidence in the courts of the United States as to the quality and condition of the shipments inspected. These certificates serve as a basis for trading as well as for the settlement of disputes. A very large part of the work is on a cooperative basis, the Federal bureau furnishing supervision only. The work under the entire appropriation has been about 75 percent self-supporting, since fees amounting to \$313,253 were returned to the Treasury during the past year.

1. Inspection and Certification of Fruits and Vegetables.--The work under this project covers the inspection and certification of fresh fruits and vegetables at 44 important receiving markets and at points conveniently reached therefrom. A similar inspection service is conducted at shipping points in more than 40 States in cooperation with State agencies. In addition, large quantities of products are inspected for the purchasing departments of the Navy, the Marine Corps, and other Federal agencies.

The certification of quality and condition of fresh fruits and vegetables showed a marked increase during the past year when a total of 514,766 cars were inspected at shipping points and at destination markets. During the previous year 420,409 cars were inspected. This increase was due particularly to the additional work required by various A.A.A. activities in their attempt to improve the conditions under which these commodities are marketed. These activities included the inspection under the marketing agreements of potatoes in the late States and watermelons, peaches, pears, and other deciduous fruits in various parts of the country. In addition to this work, 15,649 cars of potatoes were certified for diversion to livestock feed or starch, and 30,724 cars of fruits and vegetables bought by the Surplus Commodities Corporation were inspected to determine compliance with purchase orders.

The efforts of the fruit and vegetable inspection service to break up the misbranding of these commodities as to quality, which was started in 1936, was continued throughout the past year, during which time 376 lots of fruits and vegetables were corrected as to grade, size, or weight representations. Of these 348 were made informally at the suggestion of the inspector and 28 cars were reported to the Food and Drug Administration for seizures and correction of misbrandings under court orders.

More complete supervision of the work of inspectors at both shipping points and at receiving markets was possible during the past year because of the assignment of two field supervisors who have devoted their entire time to securing greater uniformity in the work throughout the country.

Branch offices are maintained at Albany, N. Y., Atlanta, Ga., Baltimore, Md., Baton Rouge, La., Boise, Idaho, Boston, Mass., Buffalo, N. Y., Chicago, Ill., Cincinnati, Cleveland, and Columbus, Ohio, Columbia, S. C., Denver, Colo., Detroit, Mich., Fargo, N. Dak., Fort Worth, Tex., Great Lakes, Ill., Harlingen, Tex., Harrisburg, Pa., Hartford, Conn., Houston, Texas, Indianapolis, Ind., Jacksonville, Fla., Kansas City, Mo., Los Angeles, Calif., Memphis, Tenn., Miami, Fla., Milwaukee, Wis., Minneapolis, Minn., Newark, N. J., New Haven, Conn., New Orleans, La., New York, N. Y., Norfolk, Va., Oklahoma City, Okla., Omaha, Nebr., Orlando, Fla., Philadelphia, Pa., Pittsburgh, Pa., Portland, Oreg., Providence, R. I., Rochester, N. Y., Sacramento, Calif., St. Louis, Mo., Salem, Oreg., Salt Lake City, Utah, San Pedro, Calif., San Diego, Calif., San Francisco, Calif., Seattle, Wash., Tampa, Fla., Vallejo, Calif., Washington, D. C., and Yakima, Wash. In addition, inspections are made at shipping points in cooperation with more than 40 States.

2. Grading and Certification of Canned Fruits and Vegetables.--

This service is of special value to canners who have need of an official determination of quality. It is also used largely by the purchasing agencies of the Government, especially the Veterans' Administration, and by an increasing number of State and municipal authorities and by commercial buyers. The grading service on canned foods is one of the most recently inaugurated but its popularity has grown rapidly. The service was nearly 60 percent self-supporting during the past year and it is expected that it will become more nearly self-supporting in future years.

Branch offices are maintained at Boston, Mass., Chicago, Ill., Cleveland and Columbus, Ohio, Indianapolis, Ind., Jacksonville, Fla., Newark, N. J., New York City, N. Y., Oklahoma City, Okla., Philadelphia, Pa., Portland, Oreg., San Francisco, Calif., Salt Lake City, Utah, Seattle, Wash., and Washington, D. C.

3. Grading and Certification of Dairy and Poultry Products.--

This service consists of the grading of dairy and poultry products in terminal markets and at shipping points for class, grade, quality, and condition; supervision of the inspection of dressed poultry for condition and wholesomeness at canning establishments. Most of the work is performed by licensed inspectors under the supervision of the Bureau.

Branch offices are maintained at Boston, Mass., Chicago, Ill., Los Angeles, Calif., Minneapolis, Minn., New York, N. Y., Philadelphia, Pa., Portland, Oreg., San Francisco, Calif., Seattle, Wash., St. Louis, Mo., and Washington, D. C.

4. Inspection and Certification of Hay, Beans, Soybeans, etc.--

This project consists of the maintenance of an inspection and grading service of hay, beans, soybeans, etc., and the supervision of licensed inspectors under cooperative agreements with State and other agencies. The service also includes the verification of dealers' records on seed in order that certificates may be issued showing the State of origin. This service makes it possible for farmers to obtain seed which is adapted to their section of the country.

Branch offices are maintained at Atlanta, Ga., Chicago, Ill., Denver, Colo., Kansas City, Mo., Los Angeles, Calif., Minneapolis, Minn., Ogden, Utah, Portland, Oreg., San Francisco, Calif., and Seattle and Spokane, Wash.

5. Grading and Certification of Livestock and Meats.--A meat-grading service is now available to commercial interests and to Federal, State, and city institutions which purchase supplies from markets where the grading service is maintained. In addition, a specialized type of service is rendered at slaughtering and meat-packing establishments by which beef and lamb carcasses are graded and stamped with a roller stamp in such a manner that the grade appears on the retail cuts for consumer information. Through this service National standards for various classes of meats and meat products are being developed which provide convenience and economies in the marketing of these products according to values or grades.

Branch offices are maintained at Baltimore, Md., Buffalo, N. Y., Boston, Mass., Chicago, Ill., Cincinnati, Cleveland, and Columbus, Ohio, Denver, Colo., Detroit, Mich., Kansas City, Mo., Los Angeles, Calif., Memphis, Tenn., National Stockyards, Ill., New York, N. Y., Omaha, Nebr., Philadelphia, Pa., Phoenix, Ariz., San Francisco, Calif., Seattle, Wash., South St. Paul, Minn., Washington, D. C., Waterloo, Iowa, and Wheeling, W. Va.

6. Inspection and Certification of Rice.--This work is conducted under joint agreements between this Bureau and State departments of agriculture in California, Texas, and Louisiana and commercial interests in Arkansas and covers rough, brown, and milled rice. Under these agreements the initial inspections are made by State officials under the supervision of the Bureau. Appeals from initial inspections are handled by the Bureau direct.

During the fiscal year 1938 the total quantity of rice inspected in the United States under both Federal-State inspection and Federal inspection amounted to 2,998,231 hundredweights (cwt.). Of this total 2,865,459 cwts. were milled rice, 20,745 cwts. were brown rice, and 114,023 cwts. were rough rice. Export inspections covered 1,809,670 cwts. of milled rice. Total rice inspections increased 69 percent over the number of inspections for the year 1937. The inspection service is of special significance and importance in facilitating United States exports of rice.

During the year the certification of the United States origin of rice assumed importance in conjunction with exports to Cuba, which Government required such certificates to permit Cuban entry under a preferential customs duty for United States rice. Under this new service 573 commercial-lot inspections were made covering 658,705 cwts. of milled rice.

7. Grading and Certification of Cottonseed.--An inspection service on cottonseed was inaugurated during the fiscal year 1938. The work was undertaken in response to a general desire among producers, ginner, cottonseed crushers, and cottonseed crushing mill operators for an inspection service on cottonseed. Headquarters were established at Memphis, Tenn.,

and the work necessarily limited to Mississippi, Tennessee, Alabama, Illinois, Kentucky, Missouri, Arkansas, and northeastern Louisiana.

Qualified persons are licensed to draw and to certificate the authenticity of samples of cottonseed under supervision of this Bureau. The official or certificated samples are sent to qualified commercial chemists who are also licensed, under the regulations, to analyze the samples by approved methods of chemical procedure and to certificate the grade of each in accordance with the official standards. A copy of each grade certificate is furnished the Market News Service for its use in compiling market reports and later sent to the Washington office for use in research. A fee of 25 cents is collected for each grade certificate issued, and these fees are turned into the Federal Treasury as miscellaneous receipts.

SUPPLEMENTAL FUNDS

Project	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Incidental Expenses of the Army</u> (Transfer to Agriculture) (Bureau of Agricultural Economics) (Agricultural Marketing Service): Inspection of hay and supervision of Army hay inspectors.....	\$2,230	\$2,250	\$2,250

(f) TOBACCO INSPECTION ACT

Appropriation Act, 1939 (Bureau of Agricultural Economics).....\$375,000 (a)
Budget Estimate, 1940.....375,000

(2) Includes \$10,000 transferred from "Market News Service".

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Inspection and certification of tobacco for class, quality, and condition.....	\$227,269	\$325,000	\$325,000
2. Market news service on tobacco....	34,490	50,000	50,000
Unobligated balance.....	13,241	- - -	- - -
Total appropriation.....	275,000	375,000	375,000

WORK UNDER THIS APPROPRIATION

1. Inspection and Certification of Tobacco for Class, Quality, and Condition.--The Tobacco Inspection Act is the authority by which the Secretary of Agriculture designates auction tobacco markets for mandatory and free inspection service. The inspection service provided is coupled with market news service, both of which are informational in character and designed to enable the growers to protect themselves against unfair prices such as frequently occur during the rapid sale of tobacco at auction. Thirty-four markets in different tobacco districts have been designated for this service and the demands for expansion exceed the Department's capacity for obtaining and training suitable personnel.

During the fiscal year 1938 total inspections for all purposes were made on approximately 222 million pounds compared with 160 million pounds in the preceding fiscal year. Actual inspections on auction markets, exclusive of those made for price collection purposes on markets not designated under the Act, covered approximately 208 million pounds during the fiscal year 1938; and it is estimated that comparable inspections during the present fiscal year will aggregate about 300 million pounds.

Branch offices are maintained at Clarksville, Tenn., Lexington and Mayfield, Ky., and Raleigh, N. C.

2. Market News Service on Tobacco.--Section 9 of the Tobacco Inspection Act provides for a market news service primarily for the benefit of growers, in order that they may be daily informed of the price at which the various qualities of tobacco are being sold. Daily and weekly mimeographed reports are issued from the field stations, and special condensed reports on prices by grades are furnished to press agencies and radio stations in each marketing area. Greatest importance is attached to the mimeographed reports used as hand-outs on auction markets. These are used by growers to check up on the adequacy of prices received by them for their various lots of tobacco and as a basis for rejecting sales when the bid prices are unduly low. This represents the major function of the inspection and market news service.

Branch offices are maintained at Louisville, Ky., and Raleigh, N.C.

(g) TOBACCO STOCKS AND STANDARDS

Appropriation Act, 1939 (Bureau of
Agricultural Economics).....\$17,187
Budget Estimate, 1940..... 17,187

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
Tobacco stocks and standards	\$15,963	\$17,187	\$17,187
Unobligated balance.....	1,224	- - -	- - -
Total appropriation.....	17,187	17,187	17,187

WORK UNDER THIS APPROPRIATION

The purpose of the appropriation is to carry out the provisions of an Act approved January 14, 1929, as amended August 27, 1935. The work consists of the compilation and publication of quarterly reports covering the quantities of leaf tobacco in the hands of dealers and manufacturers separated as to type and as to certain divisions within the type. They are published as of the first day of January, April, July, and October and represent the comparison of statistics of supplies held by dealers and manufacturers, the submission of which is mandatory.

Information on the actual holdings of dealers and manufacturers is absolutely basic to an understanding of the present and prospective market situation for the various types of tobacco. It is used in the preparation of outlook reports disseminated for the information of growers in planning their acreage for the ensuing crop year and by the Agricultural Adjustment Administration in arriving at determinations of normal supplies for different types of tobacco which govern their policies under the Agricultural Adjustment Act of 1938, the setting of acreage goals, etc. The Bureau's reports on tobacco stocks are widely disseminated and in great demand.

(h) MARKET NEWS SERVICE

Appropriation Act, 1939 (Bureau of Agricultural Economics)	\$1,112,302(a)
Budget Estimate, 1940	<u>1,150,000</u>
Increase	<u>37,698</u>

(a) Excludes \$10,000 transferred in 1940 Budget Estimates to "Tobacco Inspection Act."

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Market news service on livestock, meats, and wool	\$418,747	\$461,389	\$461,389	--
2. Market news service on fruits and vegetables. .	424,649	422,673	454,371	+\$31,698 (1)
3. Market news service on dairy and poultry products	134,918	139,138	139,138	--
4. Market news service on grain, hay, feed, and seed	72,081	69,159	75,159	+ 6,000 (2)
5. Market news service on cottonseed	11,475	19,943	19,943	--
Unobligated balance. . . .	15,130	--	--	--
Total appropriation . . .	1,077,000	1,112,302	1,150,000	+ 37,698

INCREASES

The increase of \$37,698 in this item for 1940 consists of:

(1) An increase of \$31,698 to extend market news service on fruits and vegetables. This increase will provide for the collection and dissemination of daily information on the receipts of fresh fruits and vegetables by motor truck in a number of large city markets of the United States where the Market News Service maintains permanent offices to supplement similar information secured in other large city markets where such information is now secured largely through the efforts of the various State agencies. It will also provide for the appointment of three traveling field representatives, with their necessary travel and telegraphic expense, to collect information on the movement of fruits and vegetables by motor truck to supplement carlot shipment information on these commodities.

The increasing use of the motor truck as a means of transporting produce from farms to markets makes it imperative that the Bureau should cover this movement in its news service in order to supplement the information now obtained from the common carriers. Information on the movement and receipts of fruits and vegetables by motor truck is vitally needed by growers and shippers as well as dealers in these commodities. The demand for this information is becoming more pressing each year. The large trade organizations are urging that some arrangement be made to secure truck receipt information for their members. In addition to its current market value feature, truck receipt information is becoming of interest to research workers, particularly with respect to marketing and marketing facilities.

This increase would also provide for the reinstatement of the branch office at New Orleans which was closed on July 1, 1938, because of the reduction in the appropriation for this purpose.

(2) An increase of \$6,000 for the opening of an office at Cincinnati for gathering and disseminating market reports on grain, hay, and feed. There has been an urgent demand for this service for a number of years, particularly from farmers and farmers' agencies. The office would serve a large area in which market information on feed-stuffs is particularly important.

WORK UNDER THIS APPROPRIATION

General.-- This appropriation provides for gathering and disseminating timely information on the supply and demand conditions, movement, quality, and prices of the principal farm commodities, with the exception of cotton and tobacco which are provided for under special Acts.

The service is built largely upon information gathered by the Bureau's representatives in large terminal markets and distributed to the shipping districts. These markets are connected with leased telegraph wires. The market reporters are in the market as soon as trading begins each day and report receipts and prices. The information goes over the leased wire in code to Washington and to other branch offices where it is combined with other reports and released to the public. In addition, telegraph and mail reports are furnished the Bureau by common carriers and other reporters, and information with regard to supply and demand conditions in foreign countries is made available through cooperation with the Foreign Agricultural Service of the Department. This market information is given publicity throughout the country, especially in important producing districts, by telegraph, telephone, radio, mail, bulletin boards, newspapers, and other means.

1. Market News Service on Livestock, Meats, and Wool.--- Market conditions and prices are reported covering 27 public livestock markets. Reports are made on the marketing of hogs at 10 packing plants and 22 concentration yards located in Iowa and southern Minnesota; also at 8 plants in Alabama, Georgia, and Florida; as well as on cooperative sales in that area. The marketing of sheep and lambs in the western range and Pacific coast States is covered also. Reports are made on market conditions and prices at five of the largest wholesale meat marketing centers and on the Boston wool market. In addition, information is furnished several State departments for dissemination by radio and otherwise. The information is distributed by the Bureau's leased-wire telegraph system, by radio, press associations, commercial telegraph companies, news, trade and agricultural publications, boards of trade, telephone, bulletin boards, and by mail. All market reports are based upon the Bureau's standardized class and grade system.

Service expansions during the past year were necessarily confined largely to broader distribution of information through commercial agencies, funds and personnel being insufficient to permit of material expansion at Bureau expense. Although extensive distribution of the market information released through commercial agencies had previously been effected, further progress was made in this direction during the past year. This was accomplished largely by a marked increase in the space devoted by news and trade publications to the Department's market information, by a further considerable gain in the number of radio stations broadcasting these reports, and by the cooperation of many trade agencies in supplying the paper and maintaining their own mailing lists for the distribution of many thousands of the Department's mimeographed releases. Other news-disseminating agencies, such as the press associations, the CND services maintained by the commercial telegraph companies, ticker services, and financial institutions, also moderately increased their distribution of the information. By these means it was found possible to hold to relatively small gains the distribution of reports to the Department's own mailing lists. The total number of mail reports increased about 300,000 - to a grand total of approximately 5,700,000, serving mailing lists of about 81,000.

Branch offices are maintained at Baltimore, Md., Boston, Mass., Buffalo, N. Y.*, Casper, Wyo.*, Chicago, Ill., Cincinnati, Ohio, Denver, Colo., Des Moines, Ia., Fort Worth and Houston, Tex., Indianapolis, Ind., Kansas City, Mo., Los Angeles, Calif.*, Louisville, Ky.*, Montgomery, Ala., Nashville, Tenn., National Stockyards, Ill., New York, N.Y., Ogden, Utah, Oklahoma City, Okla., Omaha, Nebr., Philadelphia and Pittsburgh, Pa., Portland, Oreg., St. Joseph, Mo., San Antonio, Tex., So. St. Paul, Minn., San Francisco, Calif., Sioux City, Ia., Thomasville, Ga., and Wichita, Kans. (*Not connected with leased telegraph system.)

2. Market News Service on Fruits and Vegetables.-- City market stations are maintained in 21 markets and, in addition, 44 field offices are in operation for varying periods. This project gathers daily information relative to receipts, unloads, market prices, and demand for fruits and vegetables in the principal markets and shipping sections of the country, also reports from the common carriers on carlot shipments, diversions, and passing. There are 86,358 names on the mailing lists for the reports. The information helps to bring about more orderly marketing of these products, eliminates waste and loss by keeping shippers informed of market demands, and helps to bring more equitable returns to growers. Reports are prepared summarizing the marketing of individual crops in producing sections from which daily market information has been released. Special reports showing unloads of cars of fruits and vegetables in a large number of markets were issued during the past year, as well as various reviews and summaries relative to the marketing of these commodities. Shipments of 834,655 cars of fruits and vegetables were reported by transportation companies.

Branch offices are maintained at Atlanta, Ga., Baltimore, Md., Boston, Mass., Chicago, Ill., Cincinnati, Ohio, Cleveland, Ohio*, Denver, Colo., Detroit, Mich.* Fort Worth, Tex., Kansas City, Mo., Los Angeles, Calif.*, Minneapolis, Minn., New York, N. Y., Oklahoma City, Okla., Philadelphia and Pittsburgh, Pa., Portland, Oreg., St. Louis, Mo., San Antonio, Tex., San Francisco, Calif., and Seattle, Wash. In addition, many branch offices are operated for short periods during the heavy movement of important crops and information is furnished to State offices for dissemination. (*Not connected with leased telegraph system.)

3. Market News Service on Dairy and Poultry Products.-- This project includes the gathering and dissemination of current market information with reference to production, manufactures, shipment, receipts, movement, prices, etc., on various classes of dairy and poultry products. Offices are maintained in eight large terminal markets for the purpose of gathering information on market conditions. Special attention is being given to the study of wholesale price quotations and surveys are being made of the extent to which premiums are being paid by wholesale receivers in their purchases from country creameries. Reviews and summaries of the Bureau are reproduced in important trade journals.

Branch offices are maintained at Boston, Mass., Chicago, Ill., Los Angeles, Calif.*, New York, N. Y., Philadelphia, Pa., Portland, Oreg., San Francisco, Calif., and Seattle, Wash. (*Not connected with leased telegraph system.)

4. Market News Service on Grain, Hay, Feed, and Seed.---Under this project growers, country dealers, and others are furnished information relative to market developments, supply and demand conditions, and other factors influencing prices or the market situation for grain, hay, feed, seed, rice, beans, hops, and other products. The information collected from all available sources is analyzed and incorporated in market reviews which are issued at regular intervals and distributed to growers and other agricultural interests from Washington and seven branch offices. These reviews are published widely in newspapers and trade journals.

Branch offices are maintained at Atlanta, Ga., Chicago, Ill., Kansas City, Mo., Los Angeles, Calif.*, Minneapolis, Minn., Portland, Oreg., and San Francisco, Calif. (*Not connected with leased telegraph system.)

5. Market News Service on Cottonseed.--- A limited market reporting service on cottonseed was inaugurated in the fiscal year 1938. The object of the service is to furnish growers and others current information on the supply, demand, movement, and prices of various grades of cottonseed. The service is coordinated with the grading service begun under the appropriation for "Market Inspection of Farm Products".

The cash farm income from cottonseed ranks second in most of the cotton-producing States. Cottonseed is the only unmortgaged source of income available to the majority of cotton growers. Cottonseed, however, generally has been bought on an "as is" basis at prices made on an undisclosed relation to the average quality of the seed being currently sold or in anticipation of changes in the market or quality. Marketing on the basis of the United States standard cottonseed grades made a market news service for the industry possible. The use of the grades not only provides a common language between buyer and seller, but the reflection of the premiums and discounts for grade in the prices paid producers should encourage the use of superior planting seed and better harvesting and handling methods and thus further increase the cash farm value.

During the 1937-38 season, market news reports covering the Mississippi Valley States were issued from Memphis each Saturday. These reports were mailed to all those interested parties who applied for it. They were also published in all the leading newspapers. It is believed that such timely market information should be valuable to producers as well as to ginners and cottonseed crushers.

(i) PERISHABLE AGRICULTURAL COMMODITIES AND PRODUCE AGENCY ACTS

Appropriation Act, 1939 (allotments to be transferred in 1940 Estimates from Bureau of Agricultural Economics):

Perishable Agricultural Commodities Act..	\$143,890
Standard Container, Hamper, and Produce Agency Acts.....	5,738
Total available, 1939.....	149,628
Budget Estimate, 1940.....	160,000
Increase	10,372

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Increase
Perishable Agricultural Commodities and Produce Agency Acts.....	(a)\$151,507	\$149,628	\$160,000	+ \$10,372 (1)
Unobligated balance.....	621	- -	- -	- -
Total appropriation...	(a) 152,128	149,628	160,000	+ 10,372

(a) Includes \$8,238 for enforcing the Produce Agency Act.

INCREASE

(1) An increase of \$10,372 is recommended for 1940 to provide additional personnel to handle the greatly increased work. This increase is greatly needed for handling complaints under the Perishable Agricultural Commodities Act, and for checking up dealers who are subject to license under the law but who have not secured licenses. The collection of arrearage fees authorized by recent amendment to the Act has also increased the work. The increase will provide for two associate marketing specialists--one to travel from Washington, D. C., and the other from Chicago--and for additional clerical assistance.

CHANGES IN LANGUAGE

The language of the paragraph has been amended by including authority for administering the Produce Agency Act.

The transfer of the work of enforcing the Produce Agency Act to this appropriation is recommended for the reason that these two Acts are very closely related. In general, complaints are handled under the Perishable Agricultural Commodities Act unless there is evidence of fraud or other conduct which makes it necessary to recommend criminal

prosecution. The Perishable Agricultural Commodities Act is limited to cases involving fresh fruits and vegetables, whereas the Produce Agency Act covers other products as well. Since the same personnel administers the two Acts, it would be more logical and convenient to carry both activities on under the same appropriation.

WORK UNDER THIS APPROPRIATION

The purpose of this appropriation is to enable the Department to administer the provisions of the Perishable Agricultural Commodities Act, approved June 10, 1930, to suppress unfair and fraudulent practices in the marketing of fresh fruits and fresh vegetables in interstate and foreign commerce. This Act requires the licensing of all commission merchants, dealers, and brokers, with a few exceptions, and gives the Secretary of Agriculture authority to award reparations and to suspend or revoke the licenses of those who are found to have engaged in certain specified unfair and fraudulent practices in the marketing of these commodities. License fees of \$10 per annum are charged, and the receipts have exceeded the expenditures each year since the work was inaugurated.

The Produce Agency Act is being transferred to this item in the estimates for 1940. This Act makes it a misdemeanor for commission merchants to fail to account properly for products consigned to them.

During the fiscal year 1938, 2,379 complaints were received. In 745, amicable settlements were arranged; 341 orders were issued by the Secretary, compared with 276 the previous year. It is interesting to note that the proportion of trivial complaints has dropped and that those now received tend to be of a more involved and intricate nature. The formal orders involved the payment of \$87,414 in damages, and amicable settlements brought about the payment of \$303,041 to aggrieved parties during the year. The administration of the Perishable Agricultural Commodities Act has been more than self-supporting each year since its passage.

The following statement shows the growth of the work during the past four years:

	<u>June 30,</u> <u>1935</u>	<u>June 30,</u> <u>1936</u>	<u>June 30,</u> <u>1937</u>	<u>June 30,</u> <u>1938</u>
Number of licenses in effect	15,697	16,653	18,077	19,799
Receipts deposited with Division of Accounts for transmission to Treasury	\$147,926	\$159,428	\$170,620	\$206,708

(j) STANDARD CONTAINER ACTS

Appropriation Act, 1939 (Allotment
to be transferred in 1940
Estimates from "Standard Con-
tainers, Hamper, and Produce
Agency Acts," Bureau of Agri-
cultural Economics) \$22,000
Budget Estimate, 1940 22,000

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
Standard Container and Hamper Acts	\$21,413	\$22,000	\$22,000
Unobligated balance	587	- -	- -
Total appropriation	22,000	22,000	22,000

CHANGES IN LANGUAGE

This paragraph hitherto under the title "Standard Container, Hamper, and Produce Agency Acts", has been amended by deleting the authority for administering the Produce Agency Act incident to the transfer of that activity to the item "Perishable Agricultural Commodities Act". The work under the Produce Agency Act has no direct relation to that performed under the Standard Container Acts but is very closely related to the administration of the Perishable Agricultural Commodities Act.

WORK UNDER THIS APPROPRIATION

Two Acts are administered under this appropriation, i.e., the Standard Container Act of 1916 and the Standard Container Act of 1928 (Hamper Act). These Acts define specifications for standard containers for fruits and vegetables. The work of the Bureau supervises the preparation of containers and prevents the use of nonstandard types.

The provisions of the two Standard Container Acts fix the sizes for Climax baskets, containers for small fruits and vegetables, standard hampers, and round stave and splint baskets. The enforcement of these Acts involves the testing of samples of these containers in order to determine whether they comply with prescribed standards; educational work on the requirements of the laws; and the preparation, for submission to the Department of Justice, of cases against those who fail to comply with the provisions of the Act.

Periodical inspections are made of container manufacturing plants to assure compliance with the Act. A new dimensional method of testing containers has been developed, and a pamphlet has been published explaining this method and containing schedules of standard specifications. This should have an influence in bringing about greater uniformity in manufacturing practices and in facilitating enforcement of the Act.

(k) COTTON QUALITY STATISTICS AND CLASSING ACTS

Appropriation Act, 1939 (Bureau of Agricultural Economics) .	\$430,000 (a)
Budget Estimate, 1940	<u>480,000</u>
Increase	<u>50,000</u>

(a) Excludes \$20,000 transferred in 1940 Estimates to "Economic investigations", Bureau of Agricultural Economics.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Cotton grade and staple statistics	\$223,763	\$224,517	\$224,517	- -
2. Classification and information service in communities organized for cotton quality improvement.....	- -	205,483	255,483	+ \$50,000(1)
Unobligated balance.....	754	- -	- -	- -
Total appropriation.....	224,517	430,000	480,000	+ 50,000

INCREASE

(1) An increase of \$50,000 is recommended in this item for 1940 for classification and information service in communities organized for cotton quality improvement. This increase will be used to enlarge the classing and market news service chiefly in communities organized to improve the quality of their cotton. It is planned to establish two additional field classing offices and to extend the market information service.

There has been a very rapid increase in the communities organized for the improvement of the quality of their cotton. The Bureau of Plant Industry reports that in 1935 there were 343 communities so organized, with an acreage of 815,000; in 1936 there were 512 communities, with 1,562,000 acres; and in 1937, 795 communities, with 2,517,000 acres. No figures are available as yet for the 1938 season, but it is expected that the rate of increase will be at least maintained and probably exceeded. Many communities that are now growing an improved variety of cotton are as yet unorganized, but it is expected that their organization will be effected before another season.

The law authorizes the classification of any cotton produced by members of organized communities. In view of the limited funds available, regulations for the present season (1938) provide that only cotton of the approved variety produced by the members may be classed. It is felt that, to be of the most service, growers who are planting a portion of their acreage to an approved variety should have all their cotton classed as provided by the Act in order to demonstrate conclusively the superiority of the improved variety.

WORK UNDER THIS APPROPRIATION

General.--The purpose of this appropriation is to enable the Bureau to carry into effect the Act of March 3, 1927, as amended by Act of April 13, 1937. The original Act provided for the collection and publication of statistics of the grade and staple length of cotton. The amendments provide for the classification of cotton upon request from groups of producers organized to promote the improvement of cotton and for the dissemination of market information on cotton.

1. Cotton Grade and Staple Statistics.--Improvement in the quality of cotton produced and the increasing use that has been made of the quality reports have made it necessary to exercise increasing care in the procurement of sample data in order to assure dependable reports on the quality of current ginnings and on the quality of stocks on hand at the end of the season. Procedure for analyzing and interpreting variability in the sample data has been changed when necessary in appraising the relation of such variability to the sampling problem. Analyses of crop sample data have resulted in the division of the general districts into which producing States are subdivided, so that it has been made possible to issue State reports on the quality of cotton ginned in smaller geographical areas than the general districts. Thirteen such reports have been issued and the fourteenth will be available for distribution in the near future. These reports, supplementing other reports of a more general nature, furnish a comprehensive guide for quality improvement by indicating specific localities in which improvement might need to be undertaken. Analyses of carryover sample data have indicated conclusively that the quality reports issued on stocks on hand at the end of the season are based on sample data which reflected adequate representativeness of the entire stocks. Outstanding among the accomplishments of the past year was the analysis of sample data that provided a basis for changing the plan of reporting on the quality of current ginnings. After a study of the sample data for the 1937-38 season and for earlier seasons, it was decided to issue the regular periodic (monthly) reports for the 1938-39 season more promptly than ever before after the close of the ginning periods to which the figures relate and to issue semimonthly reports on the same dates that the Census issues reports on ginnings. These reports show grade and staple percentages applied to total ginnings to the dates specified and to ginnings during the semimonthly periods, in contrast to the former weekly reports carrying grade and staple percentages made applicable only to samples classed during the weekly periods instead of to ginnings as reported by the Census. This change in reporting procedure is expected to make the grade and staple statistics more useful than they have ever been before.

2. Classification and Information Service in Communities Organized for Cotton Quality Improvement.--An Act approved April 13, 1937 (7 U.S.C. 471-476), amended the original Act so as to authorize the Secretary of Agriculture to provide for the classification of cotton and to furnish information on market supply, demand, location, condition, and market prices for cotton. Increased funds, however, did not become available for this work until July 1, 1938. Work is now under way and many requests for expanding the service during the coming season have been received.

Superior quality is one of the greatest advantages which American cotton possesses in the world markets. This fact has been rather clearly brought out in the experience of European spinners who have undertaken to substitute other growths. To preserve this advantage the Department is seeking ways to make it worth while to growers individually to improve the quality of their cotton and to cooperate with each other in order to make the production of high-quality cotton general throughout the belt. Furnishing classing and quotations services to growers who are improving the quality of the cotton they produce by participating in "one-variety" community organizations should definitely help in this direction.

Branch offices are maintained in Atlanta, Ga., Austin, Dallas, and El Paso, Texas, and Memphis, Tenn., with substations at Bakersfield, Calif., Jackson, Miss., and Little Rock, Ark.

(1) U. S. COTTON FUTURES AND
U. S. COTTON STANDARDS ACTS

Appropriation Act, 1939 (Bureau of Agricultural Economics).....	\$491,900
Budget Estimate, 1940.....	507,000
Increase.....	<u>15,100</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Cotton futures and spot market investigations and cotton price quotations	\$57,077	\$61,920	\$61,920	- -
2. Preparation and distribution of official cotton standards	118,286	120,186	120,186	- -
3. Classing spot cotton, licensing classers for spot cotton, and purchase of cotton for preparation of standards..	79,702	80,000	80,000	- -
4. Supervision of the work of licensed classers of cotton...	89,630	88,869	103,969	+\$15,100(1)
5. Classification of cotton for delivery under the Cotton Futures Act	134,234	140,925	140,925	- -
Unobligated balance.....	22,971	- -	- -	- -
Total appropriation.....	501,900	491,900	507,000	+15,100

INCREASE

(1) An increase of \$15,100 is recommended in this item for 1940 to strengthen supervisory work in connection with cotton classing. Developments during recent cotton seasons make it imperative that more adequate provision be made for the supervision of the work of cotton classers licensed under the

United States Cotton Standards Act. It has been necessary to confine the supervision work for the most part to licensed classers employed by various cotton cooperative associations to classify cotton as received from their members. Very little supervision of the work of other licensees has been possible, although experience has clearly shown that uniformity and accuracy are not obtainable without such supervision.

The rapid growth of the licensing work is indicated by the fact that, while only 56 licenses were issued in 1928 at the present time there are more than 2,200 in effect. The importance of the supervision problem is indicated by the fact that licensees for the season 1937-38 reported the classification of more than 6,000,000 bales. While the additional funds requested will not enable the Bureau to give as close supervision as would be desirable in all cases, they will make it possible to deal with the situation more satisfactorily than at present.

WORK UNDER THIS APPROPRIATION

General.--The Cotton Futures Act provides for the establishment by the Department of Agriculture of standards for the qualities of cotton; classing of all cotton offered for delivery in settlement of futures contracts; supervision of the quotations of commercial differences in spot markets designated under the Act; and dissemination of information as to market prices and conditions. This Act was approved August 11, 1916, and has been amended from time to time.

The Cotton Standards Act requires the use of the official cotton standards in all interstate and foreign commerce transactions involving American cotton shipped by grade. It gives owners or holders of cotton the privilege of submitting cotton to representatives of the Department for classing and authorizes the Secretary to examine and license cotton classers. In the administration of the legislation agreements have been negotiated with the principal foreign cotton-trade association providing for the world-wide use of the cotton standards. This Act was approved March 4, 1923.

Receipts under the two Acts for the past year amounted to \$238,739.

The following statement indicates progress of the work:

	Fiscal year, 1935	Fiscal year, 1936	Fiscal year, 1937	Fiscal year, 1938
Classification of cotton under Cotton Standards Act (bales)..	317,655	97,473	648,935	691,831
Number of licenses issued to classers.....	370	475	301	464*
Number of bales classed by licensed classers.....	2,750,000	4,342,121	4,522,659	6,141,359
Number of boxes of cotton standards distributed.....	2,214	4,923	2,666	5,052
Number of staple type dis- tributed.....	6,953	7,325	7,994	8,750
Classification of cotton under Cotton Futures Act (original classification - bales).....	6,362	59,528	164,355	183,481
Review classification (bales)..	11,239	15,327	45,943	29,912

* In the fiscal year 1939, 2,231 licenses had been issued as of January 12, 1939.

1. Cotton Futures and Spot Market Investigations and Cotton Price Quotations.--Prices on grades of cotton above and below Middling and on staple longer than 7/8-inch as quoted in ten principal spot markets of the United States designated for the purpose by the Secretary of Agriculture are required, under the U. S. Cotton Futures Act, to be used in the settlement of futures contracts whenever settlement is effected by delivery of cotton. The proper functioning of the cotton futures market necessitates that the price quotations of the designated spot markets shall reflect values of spot cotton of various grades and staples as indicated by actual sales. Active supervision of quotations in the spot markets, therefore, is essential. Information is disseminated widely among producers concerning the value of cotton of the different qualities.

The Cotton Belt has been divided for the purpose into three districts, with headquarters at Atlanta, Ga., Memphis, Tenn., and Dallas, Texas. A weekly cotton review is prepared at Washington which is based on information assembled at Washington from field offices. The review is telegraphed to the field offices, mimeographed, and furnished to a mailing list, as well as to news organs and to broadcasting stations for dissemination. In addition to the review, there is prepared at each of the three field offices a premium staple cotton report which covers the prevailing premiums and discounts for cotton above and below 7/8-inch. There is also prepared in Atlanta a daily report giving the Middling 7/8-inch quotation in the ten designated markets, as well as grade and staples premiums prevailing in such markets. The work has been supplemented and strengthened by the activities under the new Cotton Quality Statistics and Classing Acts.

2. Preparation and Distribution of Official Cotton Standards.--

The official standards are prepared and promulgated under the authority of both Acts. Copies of the standards are sold to the public. Inasmuch as the law makes the use of these standards mandatory in interstate and foreign commerce and prohibits the duplicating of the standards or the use of private types in evasion of or substitution for the standards, domestic and world commerce in American cotton is made dependent upon the prompt and proper performance of this work. There has been a steadily increasing demand for copies of the type boxes, showing a greater use of the official standards.

The next meeting under the International Universal Cotton Standards Agreements will convene in Washington in March 1939. These meetings, which are attended by representatives of the nine principal cotton organizations of Europe, are regularly held for the purpose of approving copies of the Universal Grade Standards for use by the Department and by the European organizations.

3. Classing Spot Cotton, Licensing Classers for Spot Cotton, and Purchase of Cotton for Preparation of Standards.--Under the Cotton Standards Act any person who has a financial interest in any cotton may submit a sample of the same to the Department for classification, and the various boards of cotton examiners are authorized to perform this service in addition to classification under the Cotton Futures Act. Under this project classers are also examined and licensed to classify cotton.

4. Supervision of Licensed Cotton Classers.--The classing of spot cotton in the field is supervised by the Board of Cotton Examiners, with headquarters at Memphis, Tenn., and local supervisors are stationed at Oklahoma City, Okla., Dallas, Bryan, and Abilene, Texas, Memphis, Tenn., Montgomery, Ala., Columbia, S. C., Jackson, Miss., and New Orleans, La. An important feature of this work is the supervision of licensed cotton classers, who number more than 2,200 and are stationed throughout the South. The cooperative cotton marketing associations rely upon the licensed classers and upon the supervision of their work in establishing the classification upon which settlements with their members are based. In checking the work of the licensed classers the Bureau's supervisors classed more than 473,000 bales during the past year.

5. Classification of Cotton for Delivery under the Cotton Futures Act.--An amendment to the Cotton Futures Act dated March 4, 1919, provides that all cotton intended for delivery on futures contracts shall be classified by officers of the Department of Agriculture. Boards of Cotton Examiners are maintained in New York, New Orleans, Houston, Galveston, Charleston, Savannah, Mobile, and Norfolk. These boards are the final judges of the quality of all cotton offered for delivery on futures contracts.

(m) U. S. GRAIN STANDARDS ACT

Appropriation Act, 1939 (Bureau of Agricultural Economics).....	\$723,941
Budget Estimate, 1940.....	760,000
Increase.....	<u>36,059</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
1. Supervision of grain inspection.....	\$674,484	\$675,991	\$712,050	+ \$36,059 (1)
2. Maintaining records and checking the efficiency of licensed inspectors.....	18,517	19,050	19,050	- - -
3. Board of review for deciding appeals.....	28,798	28,900	28,900	- - -
Unobligated balance.....	2,142	- - -	- - -	- - -
Total appropriation	723,941	723,941	760,000	+ 36,059

INCREASE

(1) An increase of \$36,059 is requested for the expansion of supervision of grain inspection and enforcement activities under the Grain Standards Act. This increase will be used for additional personnel and equipment needed in handling the increased volume of work in a satisfactory manner. It will provide also for an office at Amarillo, Texas. Even with this increase the appropriation will still be smaller than it was in 1932 when \$860,040 was available, although the activities hereunder have greatly increased.

During the fiscal year 1938, 1,503,868 carloads of grain were inspected as compared with 1,002,797 for 1937 and with a five-year average, 1933 to 1937, of 1,007,564; an increase of 50 percent. Exports of wheat and corn have increased materially in recent years. During the marketing season 1935-36, 311,348 bushels of wheat and 511,006 bushels of corn were exported. During the season 1936-37 the exports of wheat amounted to 3,168,339 bushels, and of corn to 136,035 bushels. During the year 1937-38, 98,000,000 bushels of wheat and 104,000,000 bushels of corn were exported. These increased exports have added greatly to the work and responsibilities of the district offices for Federal grain supervision. All export cargoes must be supervised in order to insure the proper application of the standards.

Appeal inspections are increasing. During the fiscal year 1938, 79,675 appeals were handled, as compared with 33,354 for 1937, 49,416 for 1936, and 30,007 for 1935. This approximate doubling of the number of appeal inspections has made it difficult to handle the work. Numerous appeal inspections were denied during the forepart of the fiscal year 1938 as a result of inability of field offices to handle them thus causing numerous public complaints. In both the export commerce and the Great Lakes commerce foreign and domestic buyers are specifying appeal inspection in contracts, thus making it a serious matter to refuse applications for appeal inspection. In modern grain-marketing practice grain buyers and sellers are not fully satisfied with grade certification alone but demand grade-factor analysis certification as well. The time required to make numerous grade-factor analyses and to certificate same on appeal inspection certificates adds an additional material burden of work on a decreased personnel.

Federal supervision over the work of licensed grain inspectors has been decreasing in recent years. In fact, very little supervision during the peak movements of grain is maintained, due to the fact that it has been imperative to give primary consideration to the handling of appeal inspections as required by the Act. Members of the grain industry constantly complain over the insufficiency of Federal supervision coverage during the peak movements of grain and when arrival grain is going into elevator storage under warehouse receipts. During the past two years numerous important misgrading tendencies have developed among inspection departments and even among several district supervision offices. When "lags" occur in the remedying of these misgrading tendencies, commercial losses may occur for producers, shippers, grain handlers, and buyers. The prompt remedying of these cases requires prompt personal contacts between Board of Review members and district supervisors and between district supervisors and licensed inspectors at interior points.

WORK UNDER THIS APPROPRIATION

General.--The purpose of this appropriation is to provide for the administration of the provisions of the Grain Standards Act, approved August 11, 1916, which directs the Secretary of Agriculture to (1) establish official standards for grain; (2) license inspectors to apply the official standards; (3) supervise the work of such licensed inspectors, in order that there will be a correct and uniform application of the standards, and entertain appeals from grades assigned by such inspectors in cases where a party to a grain transaction is dissatisfied with the grade originally assigned by licensed inspectors; and (4) conduct hearings and publish his findings in certain cases of interstate grain movements and transactions.

1. Supervision of Grain Inspection.--Official standards have been promulgated for corn, wheat, oats, rye, grain sorghums, feed oats, mixed feed oats, barley, mixed grain, and flaxseed. These standards are in general use throughout the United States and in export commerce and must be used when grain is shipped by grade in interstate commerce.

They form the basis of transactions in the various steps from the producer to the consumer, including the country elevator, the interior market, the terminal market, and the distribution to consuming industries in this country as well as to seaboard markets for export. The standards are employed in both cash and future transactions. Since the grain industry is highly competitive, it is very necessary that the inspection service should be efficient and dependable.

2. Checking Efficiency of Licensed Inspectors.--This project covers the work of maintaining correct and uniform application of the standards by licensed inspectors at all markets throughout the United States. Tendencies on the part of the inspectors which depart from uniform application of the standards are noted and are called to the inspectors' attention. Inspectors' licenses may be suspended or cancelled on evidence of incompetence or dishonesty. Uniformity of application of the standards to shipments which move from one inspection point to another requires constant attention from supervisory officials. Special problems in grading arose during the past year because of the large quantity of moist and immature grain.

3. Board of Review for Deciding Appeals.--Boards of review are located in Chicago, Ill., and Portland, Oreg. These boards interpret the standards, develop correct methods of application, and disseminate information through the supervisors to the licensed inspectors throughout the country. Certain factors of the standards are applied by mechanical apparatus, whereas others involve the human element in the exercise of judgment and discretion. These boards are constantly engaged in reviewing samples submitted from all sections of the country and giving interpretative opinions. New problems from a grading standpoint are constantly arising and the board is the agency which makes the final decisions. In addition, they function as boards of appeals in the case of inspections performed by licensed inspectors which are appealed to district supervisors and thereafter carried to board appeal.

Receipts amounting to \$117,000 were returned to the Federal Treasury under the Grain Standards Act during the fiscal year 1938, compared with \$43,997 the previous year.

Branch offices for the administration of this Act are maintained at Albany, N. Y., Baltimore, Md., Boston, Mass., Buffalo, N. Y., Cairo, Ill., Cedar Rapids, Iowa, Chicago, Ill. (field and district headquarters), Cincinnati, Ohio, Denver, Colo., Duluth, Minn., Enid, Okla., Fort Worth and Galveston, Tex., Great Falls, Mont., Hoboken, N. J. (substation), Hutchinson, Kans., Indianapolis, Ind., Kansas City, Mo., Los Angeles, Calif., Louisville, Ky., Memphis, Tenn., Milwaukee, Wis., Minneapolis, Minn., Nashville, Tenn., New Orleans, La., New York City, N. Y., Ogden, Utah, Oklahoma City, Okla., Omaha, Nebr., Peoria, Ill., Philadelphia, Pa., Portland, Oreg. (field and district headquarters), St. Joseph and St. Louis, Mo., San Francisco, Calif., Seattle, Wash., Sioux City, Iowa, South Chicago, Ill. (substation), Spokane and Tacoma, Wash., Toledo, Ohio, Vancouver, Wash., and Wichita, Kans.

SUPPLEMENTAL FUNDS

Project	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
Special Research Fund, Department of Agriculture (Agricultural Marketing Service): Researches on farm stor- age structures for wheat.....	\$9,909	\$8,500	\$8,500

(n) U. S. WAREHOUSE ACT

Appropriation Act, 1939 (Bureau
 of Agricultural Economics).....\$336,700
 Second Deficiency Act, 1938 (Bureau
 of Agricultural Economics)..... 55,000
 Total available, 1939..... 391,700
 Budget Estimate, 1940..... 425,000
 Increase..... 33,300

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Increase
Administration of the United States Warehouse Act.....	\$324,272	\$391,700	\$425,000	+\$33,300(1)
Unobligated balance.....	2,428	- - -	- - -	- - -
Total appropriation..	326,700	391,700	425,000	+ 33,300

INCREASE

(1) An increase of \$33,300 is recommended in this item for 1940 to meet the greatly increased demand for inspection and licensing of warehouses, especially for grain and cotton.

The licensing and inspecting of cotton warehouses during the present year has increased about 30 percent and present indications point to another substantial increase during the coming year. A substantial increase

in licensed storage capacity for grain, wool, canned foods, and other lesser important products also took place during the year. The Bureau should be in position to meet this increased demand.

The Agricultural Adjustment Act of 1938 carries the following provision:

"Sec. 302(a) The Commodity Credit Corporation is authorized, upon recommendation of the Secretary and with the approval of the President, to make available loans on agricultural commodities (including dairy products). Except as otherwise provided in this section, the amount, terms, and conditions of such loans shall be fixed by the Secretary, subject to the approval of the Corporation and the President."

In view of the additional responsibility placed upon this Department by the foregoing provision, a Departmental committee was appointed to consider physical problems related to the storage of farm products, including warehousing practices and other factors entering into the making of sound warehouse collateral. After several weeks of study the Committee unanimously recommended that wheat, corn, cotton, rice, and tobacco in the Ever-Normal Granary Program be stored in structures licensed under the Federal Warehouse Act.

The United States Warehouse Act was intended by Congress to encourage the storage of farm products as a means of assisting farmers in the more orderly marketing of their products, to open new sources of credit to producers and their marketing organizations, and to provide additional protection against losses in storage. The Federal warehouse receipt is becoming more and more recognized, both by private and public lending agencies, as prime collateral for agricultural loans. Thus the safeguards afforded by this Act encourage the extension and greater use of commercial credit. As most of the loans by the Government are on terms somewhat more favorable to the borrower, and as Congress has specifically legislated in the field of warehousing with a view to promoting the interests of producers, it is felt that as soon as practicable the terms and conditions relating to storage of products upon which loans shall be made under the Agricultural Adjustment Act of 1938 should conform to the provisions of the Federal Warehouse Act.

WORK UNDER THIS APPROPRIATION

The purpose of this appropriation is to provide for carrying out the provisions of the Act approved August 11, 1916, as amended, which provides for the licensing of warehouses for the storage of farm products and the supervision of the activities of licensed warehousemen.

Before a product is added to the list of commodities which may be stored in a licensed warehouse, investigational work is conducted to determine whether such product can properly be warehoused under the Warehouse Act. Regulations are then prepared covering the conditions under which it may be stored. When an application is received for a license, investigations are made to ascertain whether the warehouse is a suitable

structure and has the necessary facilities and whether the warehouseman is of good repute and has the proper financial responsibility, experience, etc. After the license is issued the warehouse is inspected regularly in order to make certain that the law and regulations are being complied with and that the interests of the patrons are being safeguarded.

All Federal warehouses are bonded, and are inspected regularly by this Bureau. By this procedure not only does the farmer have protection, because the records of the warehouseman are adequately checked, but the warehouse receipts become very desirable collateral for the purpose of obtaining credit. Before the Warehouse Act began to play an important part, the warehousing of farm products in many sections involved considerable uncertainty. Then bankers were afraid of the warehouse receipts and generally did not accept them unless they were acquainted with the borrowers and knew them to be financially responsible. Consequently warehouse receipts were restricted in use to the locality in which warehouses were located. Under the Federal administration of the Act, however, full confidence has been built up and the Federally-licensed warehouse receipts constitute a very important part of the collateral upon which loans are made. The work under this Act has become a fundamental part of the marketing and credit machinery of the country.

An extended investigation was made during the past year of complaints of loss of weight and excessive sampling of cotton. As a result warehousemen have been instructed to exercise greater care in weighing cotton, inspecting and reweighing, etc. It is believed that the situation has been dealt with in a manner satisfactory to the trade. These investigations, however, must be continued each year, as well as supervision over the classing of cotton, if the Warehouse Act is to accomplish its real purpose.

The following statement shows licensed warehouse capacities on fixed dates over the past four years. It should be understood, however, that these figures do not measure the quantity of products handled through Federally licensed warehouses since there is a continuous turnover of products and a warehouse may handle many times its capacity in the course of a year.

	Licensed capacity, July 4, 1936	Licensed capacity, June 30, 1937	Licensed capacity, June 30, 1938	Licensed capacity, Dec. 10, 1938
Cotton - bales.....	6,450,759	6,248,262	6,536,767	8,613,771
Grain - bushels	95,252,563	72,586,900	131,186,870	163,197,720
Wool - pounds	12,848,420	13,448,420	36,798,420	45,083,420
Tobacco - pounds.....	341,744,000	184,366,000	164,481,000	164,841,000
Peanuts - tons.....	15,175	14,635	14,635	16,335
Broomcorn - bales.....	15,250	17,750	20,250	20,250
Beans - cwt.	336,500	283,000	3,931,000	3,992,500
Sirup - gallons.....	26,000	26,000	55,000	203,440
Dried fruit - lbs.	11,574,060	11,573,355	3,900,000	3,900,000
Cold-pack fruit - lbs...	3,588,000	2,688,000	2,688,000	2,688,000
Canned foods - cases....	2,068,000	1,938,230	4,612,730	5,429,230
Seeds - pounds.....	352,700	375,700	500,914	532,435
Cherries in brine - lbs.	2,475,000	3,168,000	5,928,000	9,166,000

522

(o) FEDERAL SEED ACT

Appropriation Act, 1939 (allotment for transfer in 1940 estimates from "Seed Investigations", Bureau of Plant Industry, incident to consolidation of marketing research, service, and regulatory activities under Agricultural Marketing Service).....\$52,293
 Budget Estimate, 1940..... 52,293

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Seed testing investigations.....	\$29,072	\$29,374	\$29,374
2. Federal Seed Act Enforcement....	21,816	22,669	22,669
3. International Seed Testing Congress, expenses to meet the share of the United States for the.....	250	250	250
Unobligated balance.....	1,155	- - -	- - -
Total appropriation.....	52,293	52,293	52,293

CHANGES IN LANGUAGE

The language of this paragraph is the same as that heretofore carried as "Seed Investigations" under the Bureau of Plant Industry, except that the title of the appropriation has been changed to "Federal Seed Act" and the words "studying and" are stricken out.

These changes are made incidental to the transfer of the administration of the Federal Seed Act and the seed testing laboratory to the Agricultural Marketing Service. Certain research activities formerly carried on in the Bureau of Plant Industry under the appropriation "Seed Investigations" will be continued in that Bureau under the items "Cereal Crops and Diseases", "Forage Crops and Diseases", and "Fruit and Vegetable Crops and Diseases".

WORK UNDER THIS APPROPRIATION

General.--The Federal Seed Act protects the quality of seeds used in the United States through examination and testing and enforcement of Federal legislation.

1. Seed Testing Investigations.--The seed testing work is designed to assist American farmers, seedsmen, and others to obtain seed which is sound, clean, and suitable to their needs. During the past year Circular 480, "Rules and Regulations for Seed Testing", was published with a view to establishing more uniform methods of seed testing throughout the United States. Educational work is conducted for the purpose of acquainting farmers and seedsmen with the advantages of using tested seed. Since a number of States have passed seed-control laws, the Department has used its strategic position as a Federal unit to support standardization of the regulations for seed testing and to foster uniform State legislation for the improvement of the quality of agricultural seed. The work is planned to find means by which various crop and weed seeds similar in appearance may be separated and identified and to prepare descriptions and illustrations to make the work available to others; to determine the kinds of weed and other seeds which occur in agricultural seeds produced in different seed-producing areas of the world as an aid to determine the origin of particular lots of seed in relation to their adaptability for use in any given region; to study the procedure for testing seeds to indicate their plant-producing value; and to determine the influence on the vitality of seeds of storage conditions and of their movement from one climatic area to another having widely different humidity and temperature conditions.

Seeds are examined to determine their kind, adulteration, freedom from other crop seeds and weed seeds, plant-producing power, and region of production. These examinations are made for investigators in the United States Department of Agriculture, various Government purchasing agencies, State officials, farmers, and dealers in seeds. During the past year many tests have been conducted for various purchasing agencies of the Government and in connection with the cooperative research work of the Department of Agriculture.

Seeds to be exported are analyzed and certificates issued to exporters in compliance with the recommendations of the International Seed Testing Association.

2. Federal Seed Act Enforcement.--The import provisions of the Federal Seed Act regulate the quality of the more important forage-crop seeds imported into the United States and require the staining of all imported red clover and alfalfa seed to indicate the general unadaptability of imported alfalfa and red-clover seed in comparison with adapted domestic strains. The interstate clause prohibits the interstate shipment of all seeds which are fraudulently misbranded.

Every lot of seed subject to the import provisions of the Federal Seed Act is sampled by the United States Customs Service, and all samples are then tested by the seed laboratory of the Agricultural Marketing Service, only those meeting the requirements of the Act being permitted entry. The coloring of imported seed of alfalfa and red clover as provided by the Federal Seed Act is also supervised by this laboratory. The result of the enforcement of the import provisions of the Act has been to keep out of the country seeds which are of low quality. The coloring provision of seed of alfalfa and red clover has resulted in

the ability of the purchaser to know whether he is buying domestic or imported seed. This knowledge on the part of the purchaser has led to a wide price differential between domestic and foreign red clover and alfalfa seed imported and stained under provisions of the Federal Seed Act during the fiscal year 1938.

The interstate clause of the Federal Seed Act is intended to insure each State protection against shipment into the State of fraudulently misbranded seed of any kind. The enforcement of this clause of the Act has been carried on in cooperation with State authorities and has resulted in prosecutions for the shipment of misbranded seeds of oats, rye, vetch, soybeans, cowpeas, clover, alfalfa, sorghum, and other seeds on account of misbranding as to origin, variety, adulteration, percentage of pure seed, and germination.

Cooperative seed-testing laboratories are maintained at Sacramento, California; Corvallis, Oregon; Lafayette, Indiana; and Columbia, Missouri, to facilitate the work of the Division in seed testing and in Federal Seed Act enforcement.

3. International Seed Testing Congress.--Under this project participation in the work of the International Seed Testing Congress on the part of the United States is authorized and \$250 annually is appropriated toward the expenses of the Congress. The Seed Testing Congress has set up international rules for testing seed to insure uniformity, and through cooperative effort is endeavoring to improve these rules. It also deals with other problems relating to international trade in seeds.

(p) PACKERS AND STOCKYARDS ACT

Appropriation Act, 1939 (Transferred from
Bureau of Animal Industry).....\$381,879
Budget Estimate, 1940..... 381,879

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the packers and stockyards Act.....	\$363,000	\$381,879	\$381,879
Unobligated balance.....	18,879	- - -	- - -
Total appropriation.....	381,879	381,879	381,879

WORK UNDER THIS APPROPRIATION

The Packers and Stockyards Act, approved August 15, 1921, is designed to prevent and correct irregularities and abuses which may arise in the operations of the stockyards and meat-packing industries. Unfair, unjustly discriminatory, or deceptive practices, in connection with the buying or selling of livestock and meats in commerce are defined as violations of the law.

Provision is made for supervision of the rates and charges of stockyard owners and market agencies at public markets by the Secretary of Agriculture who is authorized to suspend rates found to be unreasonable and to prescribe equitable rates. At the close of the past fiscal year, 166 stockyards were posted as coming within the jurisdiction of the Packers and Stockyards Act, and 1,611 market agencies and 3,185 dealers registered to operate at posted stockyards.

All agencies making application to the Secretary of Agriculture for registration are required to obtain suitable bond, and to maintain books and records which disclose all transactions. Supervision is maintained over general marketing practices and conditions, complaints are investigated, audits are made of agencies' books and records, settlements are obtained, and where necessary, formal proceedings are instituted and agencies are ordered to desist from violations of the Act.

On July 1, 1937, 149 formal dockets were pending. During the year 276 new dockets were instituted and 17 were reopened. Final action was taken on 381 of these cases, and 61 were pending on June 30. Of the 276 new dockets instituted, 62 involved trade practices and reparation; 9, failure to maintain bonds; 17, insolvency; and 188, applications for poultry licenses. The 17 dockets reopened involved reasonableness of rates and poultry licenses. Cease-and-desist and suspension orders were issued in 30 dockets, suspension orders in 6, reparation orders in 4, orders prescribing reasonable rates and charges in 3, orders granting licenses in 248, orders denying licenses in 39, orders suspending licenses in 3, orders revoking licenses in 4, orders of dismissal in 42, and miscellaneous orders in 2.

The Act was amended, effective August 14, 1935, by the addition of Title V relating to live poultry dealers and handlers. The amendment states that the handling of live poultry in large centers of population is attendant with various unfair, deceptive, and fraudulent practices and devices resulting in losses to producers, and in enhancing the cost to consumers. The amendment declares such practices and devices to be an undue restraint and unjust burden upon interstate commerce. The purpose of the legislation is to provide the Department authority to take steps to protect producers and consumers against such practices. At the close of the year 16 cities had been designated under this title and approximately 1,700 licenses issued to handlers of live poultry.

An extensive investigation was undertaken in October, 1938, for the purpose of determining the reasonableness of the rates, charges,

and practices of live poultry handlers in New York and vicinity. Hearings are being held and it is hoped that sufficient light will be shed on the subject to enable the Department to determine whether it is possible under the existing statutes to remedy any evils that may be found and to bring about a more orderly process in the handling of live poultry.

The administration of this Act safeguards the interests of both producers and consumers, by eliminating unfair practices, reducing rates when unreasonable, investigating the financial responsibility of operators, revocation of licenses for cause, and supervision of weighing and other operations. The savings to producers and shippers resulting from formal orders or voluntary reductions accepted in lieu of formal orders in stockyards cases are estimated at \$813,000 annually and in commission rate cases at \$1,613,500 annually.

(q) IN ALL, SALARIES AND EXPENSES

Language

The language of this paragraph carries, after the title "In all, salaries and expenses, Agricultural Marketing Service" the words:

"to be accounted for as one fund"

For explanation of this phrase see general note under Office of Experiment Stations, Volume I, page 54.

SUPPLEMENTAL FUNDS
(Complete bureau statement)

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Special Research Fund, Department of Agriculture (Agricultural Marketing Service):</u> Researches on farm storage structures for wheat.....	\$9,909	\$8,500	\$8,500
<u>Agricultural Adjustment Administration (Salaries and Expenses) (Agricultural Marketing Service):</u> Crop and livestock estimates covering on-tree prices for fruit; statistics of prices paid by farmers; and numbers of milk cows.....	37,714	133,500	133,500
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture (Agricultural Marketing Service):</u> Crop production data required by the Agricultural Adjustment Administration in establishing county quotas and related work:	274,202	186,500	186,500
<u>Administration of Federal Crop Insurance Act, Department of Agriculture (Agricultural Marketing Service):</u> Gathering and compiling production statistics and other information to assist in carrying out the provisions of the Federal Crop Insurance Act.....	- - -	20,000	42,310
<u>Incidental Expenses of the Army (transfer to Agriculture) (Bureau of Agricultural Economics) (Agricultural Marketing Service):</u> Inspection of hay and supervision of Army hay inspectors.....	2,230	2,250	2,250
Total, Supplemental Funds...	324,055	350,750	373,060

PASSENGER-CARRYING VEHICLES

There is no change in the authorization for the purchase of passenger-carrying vehicles for the Agricultural Marketing Service for the fiscal year 1940, for carrying on the activities previously conducted by the Bureaus of Agricultural Economics, Plant Industry, and Animal Industry. The authorization for 1939 is \$40,100 (\$36,500 carried in the regular appropriation Act and \$3,600 in the Second Deficiency Act of 1938 for the Bureau of Agricultural Economics), which is the amount recommended for 1940. The estimate contemplates the replacement of 81 worn-out cars at an average cost of approximately \$495 each when the exchange allowances are taken into account.

The use of passenger-carrying cars is necessary to the efficient conduct of the field work of the Agricultural Marketing Service. Inspectors and graders are obliged to move quickly between markets, warehouses, and railroad yards. In most cases it is not feasible to obtain transportation by any other method quickly enough to enable the employees to conduct their work without serious loss of time. In the case of the market news service speed is the essence of the service, and where several markets must be covered this cannot be accomplished without the use of a car. Under the Warehouse Act it is necessary for the inspectors to travel between warehouses, located in small places or on spur lines where public transportation is inadequate. It is customary for two men to work together in making inspections of warehouses. The use of a car thus saves travel expense as well as time.

BUREAU OF HOME ECONOMICS

(a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1939. \$31,735
 Budget Estimate, 1940. 31,735

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
General administration and business service	\$31,585	\$31,735	\$31,735
Unobligated balance.	150	- - -	- - -
Total appropriation.	31,735	31,735	31,735

WORK UNDER THIS APPROPRIATION

The activities under this appropriation include the office of the Chief of Bureau and the general administrative activities of the Bureau, such as personnel, budget, purchasing, correspondence, files, etc.

(b) HOME ECONOMICS INVESTIGATIONS

Appropriation Act, 1939. \$273,350
 Budget Estimate, 1940. 273,350

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Home economics information.	\$21,820	\$21,856	\$21,856
2. Foods and nutrition investigations. . .	78,521	78,650	78,650
3. Family economics investigations. . . .	44,490	74,563	74,563
4. Textiles and clothing investigations. .	48,216	74,295	74,295
5. Housing and household equipment investigations.	19,953	23,986	23,986
Unobligated balance.	350	- - -	- - -
Total appropriation	213,350	273,350	273,350

WORK UNDER THIS APPROPRIATION

General.--- The Bureau of Home Economics is the unit of the Federal Government devoted exclusively to the scientific study of consumer problems. Studies are made of foods and nutrition, textiles and clothing, housing and equipment, and the economics problems of the home from the standpoint of the homemaker and the consumer, with a view to promoting the effective utilization of foodstuffs, textiles, and other products in the home and to improving the living conditions of the American people. The prosperity of agriculture and industry depends in large measure on the consumption of foods, textiles, and other products in our thirty million homes. Production programs adapted to consumer needs are most profitable to both producer and consumer. As the chief purchasing agent for the family, the homemaker determines the use that is made of what the farmer grows and what the factory makes. On this Bureau rests the responsibility for ascertaining for the Nation the standards of living which should guide production of consumers' goods. Through its research and its practical material on these problems, the Bureau of Home Economics is giving to the consumer scientific help analogous to that which other branches of the Government are giving to the farmer, the manufacturer, and the merchant. The Bureau works in cooperation with the State experiment stations, the home demonstration agents of the Extension Service, and other educational agencies, and is in close contact with homemakers and professional home economics workers throughout the country.

1. Home Economics Information.--- This project consists of the final preparation for publication of all bulletins and articles of technical or semitechnical nature distributed to scientific journals and other periodicals and of press releases, radio talks, charts, and exhibits. At the completion of each research project, and oftentimes at intervals during its progress, information is given out in one or more of these forms so that consumers, producers, trade organizations, scientific workers, teachers, extension agents -- every group of the public demanding results of home economics research -- may have full benefit of the studies conducted; for only when scientific facts are presented in forms adapted to use by the homemaker or other consumers does the public receive the greatest value of the research.

2. Foods and Nutrition Investigations.--- The object of these studies is to increase the well-being and efficiency of all persons. Facts needed by homemakers, dietitians, and nutrition workers are determined and assembled through studies of food values, the nutritive needs of the human body, and of methods of food preparation and preservation, including the effect of such methods on the nutritive value of foods. The work includes: (1) the summarization in practical and convenient form of data on the chemical composition of all classes of foods; (2) studies of the nutritional importance of specific food constituents, such as vitamins and minerals, and of the amount of such essential nutrients necessary for growth, maintenance, and well-being; (3) determination of changes in nutritive value of foods brought about by methods of production, marketing conditions, methods of preservation (such as storage, freezing, canning, etc.), and methods of preparation;

(4) analysis of methods of food preparation with a view to originating, improving, and standardizing processes; (5) establishment of the relation between variety, quality, and nutritive value of foods and their uses in food preservation; (6) evaluation of factors that enter into food quality; (7) investigations, in cooperation with producing groups, of the influence of variety, breeds, and other production factors on edible quality and nutritive value, as a basis for establishing quality standards for food products.

3. Family Economics Investigations.-- This work includes an appraisal of the consumption habits of families in different economic groups, with special emphasis upon food consumption. In addition, it includes studies of the economics of consumer buying and of household production. These family economics studies yield information of value in (1) determining present levels of living of different groups and the adequacy of these levels, insofar as this can be measured; (2) planning for the improvement of living conditions; (3) aiding producers and other business men in formulating plans for commodity production and distribution; (4) furnishing the factual background needed by homemakers, teachers, and social agencies interested in the effective administration of family finances and the wise use of time and energy in household production; (5) developing policies which will furnish the ultimate consumer with help needed for the intelligent selection of goods and services; and (6) constructing farm indexes for measuring changes in the cost of living of farm families. A large-scale study of consumer purchases, carried out by the Bureau under a grant from the Works Progress Administration, has furnished records from approximately 60,000 families, and these have provided basic data for family-living studies on a scale never before possible in this country.

4. Textiles and Clothing Investigations.-- All studies under this item have as their purpose the more effective utilization by the ultimate consumer of the textiles produced in this country. They include (1) a study of the relative usefulness to consumers of various grades and kinds of new and reworked wool as measured by the resistance of the fabrics to deterioration caused by wear, cleaning, and the action of micro-organisms; (2) the development of methods for increasing the usefulness of wool materials to consumers through better methods of care and preservation in the home; (3) a comparison of wool fabrics with those made of wool substitutes as regards properties of importance to consumers; (4) investigations of the properties imparted to cotton fabrics by various mill and laundry finishes; (5) studies of the reaction to use of woven and knitted fabrics made of different varieties, grades, and staple lengths of cotton; (6) development of women's hosiery designs suitable for cotton construction with the object of increasing the utilization of cotton in this commodity; (7) preparation of consumer buying guides based on studies of textile materials on the retail market and the presentation of facts on informative labeling as an aid in consumer buying; and (8) development of clothing designs looking toward the formulation of suggestions for the more effective use of cotton and wool.

5. Housing and Household Equipment Investigations.-- These studies form the basis for the preparation of buying guides and bulletins to aid consumers in the selection, operation and care of household equipment. As a result of the emphasis by Government agencies on new housing and electrification,

there has been an increased demand for information on household equipment and on planning work and storage areas to meet household needs. Specifications for household equipment must reflect usefulness to consumers and these studies are planned to supply data which can be used ultimately in preparing such specification. These requests for information come from homemakers, builders, extension workers, teachers, and Government agencies.

(c) TOTAL, BUREAU OF HOME ECONOMICS

Change in Language

This paragraph has been amended by substituting for "Total" the words "In all, salaries and expenses," and insertion of the following new language:

"to be accounted for as one fund"

For explanation of this change see general note under Office of Experiment Stations, page 54.

SUPPLEMENTAL FUNDS

Direct Allotments

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Emergency Relief, Agriculture, Administrative Expenses (transfer from W. P. A. (Home Economics)):</u>			
Administrative expenses in connection with a cooperative study of body measurements for garment and pattern sizes.....	\$24,686	\$3,218	--
Administrative expenses in connection with a study of consumer purchases.....	78,520	1,210	--
Administrative expenses.....	203,300	40,572	
Total.....	306,506	45,000	--
<u>Emergency Relief, Agriculture, Home Economics, Assistance for Educational, Professional, and Clerical Persons, etc. (Transfer from W. P. A.)</u>			
Cooperative study of body measurements for garment and pattern sizes.....	219,221	229,924	--
Study of consumer purchases.....	481,691	157,600	--
Assays for vitamin content of food.....	151	--	--
Total.....	701,063	387,524	--

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Exportation and Domestic Consumption of Agricultural Commodities:</u> To make tests of and develop ways of using various surplus commodities.....	3,500	- -	- -
<u>Special Research Fund:</u> Fundamental studies of dark adaptation of the human eye as a criterion for mea- surement of the Vitamin A require- ments of human subjects.....	10,000	10,000	- -
Total, Supplemental Funds (Direct Allotments)...	1,021,069	442,524	- -

COMMODITY EXCHANGE ADMINISTRATION

(a) ENFORCEMENT OF THE COMMODITY EXCHANGE ACT

Appropriation Act, 1939.....	\$635,000
Allotment to "Salaries and Expenses, Office of the Solicitor" (for legal services) and transferred in estimates 1940.....	- 11,620
Available, 1939.....	<u>623,380</u>
Budget Estimate, 1940	<u>723,000</u>
Increase.....	<u>99,620</u>

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Increase
Enforcement of the Commodity Exchange Act..	\$488,871	\$623,380	\$723,000	+\$99,620
Unobligated balance.....	3,141	- - -	- - -	- - -
Total.....	(a) 492,012	623,380	723,000	+99,620

(a) Exclusive of \$7,988 for legal services, Office of the Solicitor, 1938.

INCREASE

(1) The increase of \$99,620 for 1940 consists of:

(a) \$34,060 to permit enforcement of limits on speculative transactions. Section 4a (1) of the Commodity Exchange Act requires the Commission to fix such limits on speculative transactions as are necessary to diminish, eliminate, or prevent sudden or unreasonable fluctuations in prices. It is expected that limits on speculative transactions in all commodities will be established during the fiscal year 1939. If such limitations are to have the desired effect, it is essential that there should be the closest scrutiny of the special account reports (those daily reports required from every person having or controlling an open position equal to or in excess of certain limits, e.g., 200,000 bushels of wheat and 5,000 bales of cotton). The trading operations and net position of leading speculators and hedgers must be currently followed to permit enforcement of these limitations.

(b) \$12,240 for adequate analysis of financial statements. In November, 1937, an amendment to the rules and regulations issued under the Commodity Exchange Act prescribed that a comprehensive financial statement sworn to by an officer of the company had to be filed as a condition precedent to registration as a futures commission merchant. Although the limited personnel available to examine these statements has restricted their

usefulness, it is clearly apparent that adequate analysis of them would reveal instances of financial weakness and insolvency. These conditions, if discovered in their incipency, may be utilized to prevent the loss of customers' funds.

It is also highly desirable that close contact should be maintained with those commodity exchanges which require each member to submit a quarterly financial statement, which financial statements are made available to this Administration.

(c) \$41,820 to enable more frequent and thorough examination of the books and records of futures commission merchants. There are approximately 700 registered futures commission merchants who have about 1300 branch offices, making a total of over 2,000 offices, the books and records of which must be examined periodically. Routine examinations are made to assure compliance with that provision of the Act which requires brokers to segregate customers' funds and treat and deal with them as belonging to such customers. In numerous instances the accountants have discovered accounts which were undersegregated. While it is a criminal offense to fail to segregate customers' funds, periodic examinations are essential to assure constant protection to customers. Such examinations should be made at least once each year. This is not possible with the present staff of field accountants.

Periodic examinations also serve other valuable purposes. They are a most effective means of preventing violation of the trade practice provision of the law. Whenever manipulation or fraudulent practices or irregular trading are suspected it is necessary for the accountants to make more careful examinations, sometimes of an exhaustive character. These require considerable time and absorb much of the time which otherwise could be devoted to the more rapid routine examinations.

(d) \$11,500 to provide expert assistance for observing pit and ring activities on two exchanges. It has been impossible, because of insufficient funds, to provide observers on the floors of the several exchanges during trading hours. The supervisors stationed in the cities in which exchanges are located spend some of their time on the exchange floor, but are not in position to maintain a constant watch over pit and ring activities. By employing three specially qualified supervisors it will be possible to have competent, experienced men on the trading floors of the Chicago Board of Trade and the New York Cotton Exchange at all times and thus have a first-hand knowledge of floor activities.

CHANGES IN LANGUAGE

It is recommended that the language of this paragraph be amended as follows:

(1) Omit the words "of June 15, 1936" after the title of the Act. "Commodity Exchange Act" is now the short title designation of the basic law, formerly known as "The Grain Futures Act", as amended by the later Act of June 15, 1936; and, since this is a composite law, reference to a single date of passage is apt to be confusing.

(2) Delete reference to the Act of April 7, 1938, relating to wool tops, since the enforcement of this amendment will hereafter be a regular part of the functions of the Commodity Exchange Administration. Reference to this Act is unnecessary in view of presence of the words "as amended" after "Commodity Exchange Act".

WORK UNDER THIS APPROPRIATION

The Commodity Exchange Act requires the control and supervision of future trading in grain, cotton, butter, eggs, potatoes, millfeeds, and wool tops on 17 boards of trade and exchanges designated as contract markets by the Secretary of Agriculture. At the present time the work is carried on through 9 field offices located at Chicago, Ill., New York, N. Y., New Orleans, La., Minneapolis, Minn., Kansas City, Mo., Seattle, Wash., San Francisco, Calif., Boston, Mass., and Houston, Texas. This legislation deals with trade practices and transactions known as wash sales, cross trades, accommodation trades, and fictitious sales. It requires the detection of fraudulent practices, false reports, and bucketing of orders; also the detection and elimination of bucket shops. These and other evils found in and outside the various commodity exchanges that are deemed detrimental to the interest and welfare of producers and legitimate trade interests must be ferreted out and corrected. All money, securities, and other property deposited by customers with commission merchants as margins are required to be segregated and separately handled under the rules and regulations of the Secretary of Agriculture. The Department is given access to the books and records of all warehouses in which or out of which commodities are deliverable under futures contracts and the law requires the making of reports and the keeping of records by the operators of such warehouses.

Additional responsibilities include the fixing (by the Commodity Exchange Commission) of limitations on the daily trades and speculative positions of traders for each commodity at each contract market and to change and modify these limitations from time to time as marketing conditions may require. The registration of commission merchants and floor brokers, revocations, etc., and the responsibilities incident to other provisions of the Act require careful and constant study. Other activities are (1) compiling and publishing daily reports on volume of trading and amounts of open interest, (2) examination of market news and gossip items to prevent the dissemination of false and misleading crop and market information, (3) maintenance of a daily check on accounts of large traders, (4) investigation of complaints and (5) special studies and investigations relating to the economic functions and general utility of the futures markets for hedging and merchandising purposes.

FOOD AND DRUG ADMINISTRATION

(a) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1939 \$100,802
 Budget estimate, 1940 100,802

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
General administration and business service	\$100,581	\$100,802	\$100,802
Unobligated balance	221	- - -	- - -
Total appropriation	100,802	100,802	100,802

WORK UNDER THIS APPROPRIATION

This appropriation is used for general administrative expenses, such as general supervision, accounting, editorial work, purchases and distribution of supplies, filing, recording, and the like, applicable to operations in connection with the acts enforced by the Food and Drug Administration, including the overhead administrative work involved in the enforcement of the acts and the general direction of the work of both the Washington and field staffs.

(b) ENFORCEMENT OF THE FEDERAL FOOD, DRUG, AND COSMETIC ACT

Appropriation Act, 1939.....	\$1,750,000.*
Allotment to "Salaries and Expenses, Office of the Solicitor" (for legal services) trans- ferred in estimates for 1940.....	- 1,620.
Total available, 1939.....	1,748,380.
Budget estimate, 1940.....	2,500,000.
Increase	<u>751,620.</u>

* Appropriation 1939 for Food and Drugs Act enforcement.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
Enforcement of the Federal Food, Drug, and Cosmetic Act on:				
(a) Beverages, flavors and spices.....	\$85,498	\$85,664	\$85,664	- - -
(b) Dairy products.....	186,670	187,000	187,000	- - -
(c) Fishery products.....	192,370	192,730	192,730	- - -
(d) Fruit, fresh.....	120,160	120,390	120,390	- - -
(e) Fruit, processed.....	147,335	147,600	147,600	- - -
(f) Vegetable products.....	187,095	188,030	188,030	- - -
(g) All other food products..	254,430	255,000	255,000	- - -
(h) Medicinal drugs.....	483,711	484,621	484,621	- - -
(i) Vitamin preparations....	87,186	87,345	87,345	- - -
(j) Formulating standards....	- - -	- - -	130,000	+ \$130,000 (1)
(k) Infants and invalids' food.....	- - -	- - -	80,000	+ 80,000 (2)
(l) Permits, new drugs.....	- - -	- - -	110,000	+ 110,000 (3)
(m) Preparations affecting bodily structure and function.....	- - -	- - -	97,000	+ 97,000 (4)
(n) Devices, curative and diagnostic.....	- - -	- - -	98,000	+ 98,000 (5)
(o) Color certification.....	- - -	- - -	53,000	+ 53,000 (6)
(p) Cosmetics.....	- - -	- - -	183,620	+ 183,620 (7)
Unobligated balance.....	3,325	- - -	- - -	- - -
(a) Total appropriation.....	1,748,380	1,748,380	2,500,000	+ 751,620

(a) Exclusive of \$1,620 transferred in the 1940 Estimates to the Office of the Solicitor.

INCREASESGeneral Statement

The new Food, Drug, and Cosmetic Act, approved June 1938, will be in effect in all of its provisions before the beginning of the fiscal year 1940. The Act extends the jurisdiction of the Department over many additional products not covered at all by the 1906 Act, and also greatly extends the powers of the Department to control all the food and drug products subject to the limited control of the old Act. Chief among the new products subject to the new but not to the old Act are cosmetics, drugs used in the diagnosis of disease, drugs intended to affect the structure or any function of the body, therapeutic and diagnostic devices, and containers for foods, drugs, and cosmetics which may render the contents injurious to health or which are deceptive. The cosmetic industry alone involves a vast number of products. Extensive regulatory operations will be required to insure their compliance with the law. This is a new field and will require the development of methods of analysis as well as the investigation and examination of a vast number of products.

The additional powers conferred upon the Department include authority for the promulgation of definitions and standards of identity and reasonable standards of quality and fill-of-container for food products. This is an enormous task and will require extensive research, inspection, and administrative work. Authority is given in the new Act for emergency permit control of food that may be injurious because of contamination with microorganisms. This will entail a large amount of inspectional work to prevent outbreaks of food poisoning which could not be controlled effectively under the old law. The new law requires informative labeling of both foods and drugs under a great variety of conditions, where under the old law only false or misleading labeling was prohibited. This feature alone greatly increases the volume of both the inspectional and analytical work. The new Act provides for the control of new drugs to insure that they have been adequately tested and demonstrated to be safe for use before they are placed on the market. This places upon the Department a heavy responsibility involving the public health. Appropriate labeling requirements must be formulated for infant and invalid food. The work on the inspection of imported foods and drugs at ports of entry must be extended because of the added provisions of the new Act and the large volume of imported cosmetics that must now be examined.

The volume of work that must be done by the Department to enforce the new Act even as effectively as the old Act has been enforced will be at least three times greater than can be provided with the present appropriation for the old Act. At least \$5,000,000 will be required eventually for the enforcement of the new Act if the Department is to properly discharge its obligation to protect the public health through the exercise of the authority conferred by the new Act. The estimate for the first year's enforcement of the new Act is limited to \$2,500,000, which is \$751,620 more than the present appropriation for the enforcement of the old Act. This amount can be used effectively during the first year to get the work under way in an efficient manner.

The increase of \$751,620 in this item for 1940 consists of:

(1) Formulating standards, food, \$130,000. The new Act provides for the promulgation of a definition and standard of identity and a reasonable standard of quality and fill of container for food, but exempts from this provision fresh and dried fruits and vegetables except avocados, cantaloupes, citrus fruits, and melons. The old law contains no authority for the establishment of definitions and standards of identity, and the only authority in the old Act to establish standards of quality and fill of container is limited to certain canned foods. Under this project it will be necessary to acquire data regarding the composition of all food products with the exceptions noted above and to determine what are reasonable standards of quality for a vast number and variety of foods. This will involve an extensive amount of analytical laboratory work and the accumulation and classification of a vast volume of data regarding the composition and of consumer and trade understanding of the identity of various food products. This work is of vital interest to all consumers and to all food industries. These standards may be said to be the cornerstone of successful enforcement of most of the food sections of the Act. Without such legally established standards, effective legal action will be impossible. Necessarily, therefore, a large estimate must be made for the initial standard-making activities.

(2) Infants' and Invalids' Foods, \$80,000. The Act, in Section 403 (j), provides that a food shall be declared to be misbranded if it purports to be or if represented to be for special dietary uses, unless its label bears such information concerning its vitamin, mineral, and other dietary properties as may be necessary in order fully to inform purchasers as to its value for such uses. There are on the market a great variety of proprietary foods that are sold for use in the diet of infants and of adults who are suffering from some ailment. New products of this type are being put on the market continuously. Many of them unwarrantedly are sold under extravagant claims and fancy names at exorbitant prices. To bring about informative, truthful labeling of the vast volume of foods that fall within this classification will require extensive investigational, inspectional, and analytical work. In many instances feeding experiments must be conducted in order to determine the therapeutic or nutritional potency or lack of potency of some of these products.

(3) Permits, New Drugs, \$110,000. The Act prohibits traffic in new drugs unless such drugs have been adequately tested to show that they are safe for use under the conditions of use prescribed in their labeling. This makes it necessary for the Department to determine whether each new drug to be placed upon the market is safe within the meaning of this provision and is intended to prevent repetition of the tragic consequences resulting from the sale a few months ago of elixir sulfanilamide which caused the death of more than 100 persons. A large number of drugs that are new within the meaning of the Act are placed upon the market each year. To handle the large number of applications for the sale of new drugs in such a way as to fully protect consumers by refusing permits for the sale of dangerous products without unduly restricting or delaying the sale of legitimate products will require extensive work.

(4) Preparations Affecting Bodily Structure and Function, \$97,000.

There are a great variety of preparations such as "slenderizers", "regulators", and the like which are sold under false claims. Many such preparations are definitely harmful to health. It has not been possible heretofore for the Federal Government to exercise any control over their sale. This is one of the most fertile fields for fraud. In addition, certain ingredients used in many of the preparations are exceedingly harmful to health. Physicians are daily encountering patients who have been injured through the use of reducing agents and other preparations sold under claims that they will affect bodily structure and function. Because of the large number of such preparations on the market, a great deal of work will be required, especially during the first two or three years, to clear the channels of commerce of the fraudulent and harmful preparations.

(5) Devices, Curative and Diagnostic, \$98,000. The term "device" in the Act of 1938 includes instruments, apparatus, and contrivances, including their components, parts, and accessories, for use in the diagnosis, cure, mitigation, treatment, or prevention of disease. These devices, when shipped in interstate or foreign commerce, are for the first time subject to Federal control. A vast number of different devices are involved, such as trusses, ultra-violet lights, appliances for making people taller, nose straighteners, and the like. Many of them are out-and-out frauds; some will produce physical harm; sometimes an irreparable injury. This is a new field for regulatory operations and extensive investigational work will be necessary as a basis for such operations.

(6) Color Certification, \$53,000. The Act authorizes the promulgation of regulations providing for the listing of coal-tar colors which are harmless and suitable for use in food, drugs, and cosmetics and for the certification of batches of such colors, with or without harmless diluents. The Act provides that food, drugs, and cosmetics except hair dyes are adulterated if they are colored with a coal-tar color other than one from a batch that has been certified in accordance with the regulations. This places upon the Department the responsibility of insuring that the coal-tar colors used in foods, drugs, and cosmetics other than hair dyes are from certified batches and of seeing that only batches of harmless dyes are certified. Since the Act provides for a charge for the certification service, it is expected that most of this sub-item will be returned to the Treasury in the form of fees collected.

(7) Cosmetics, \$183,620. The Act includes under cosmetics all articles intended to be rubbed, poured, sprinkled or sprayed on, introduced into, or otherwise applied to the human body or any part thereof for cleansing, beautifying, promoting attractiveness, or altering the appearance, and articles intended for use as a component of any such articles. It is estimated that cosmetics to the value of \$130,000,000 annually are manufactured. The sale of cosmetics has increased rapidly in recent years, and there are on the market today a vast number of preparations subject to the provisions of the Act. Many of the preparations are known to be definitely harmful. Some of the eyelash preparations have caused injury to the eyes of innumerable people and total blindness in a considerable number. Many cosmetics are of complicated composition, and new methods of analysis must be developed. New preparations are continually being placed upon the market. The Department has the respon-

sibility under the Act of determining which of the vast number of cosmetics now on the market and later to be placed upon the market are harmful as intended to be used, and of taking regulatory action to prevent the sale of those products which are frauds or which may be harmful.

CHANGES IN LANGUAGE

The language of the present item "Enforcement of the Food and Drugs Act" has been amended merely to the extent of making it applicable to the Federal Food, Drug, and Cosmetic Act, of June 25, 1938, which becomes effective in all of its provisions one year after enactment.

WORK UNDER THIS APPROPRIATION

The enforcement of the Federal Food, Drug, and Cosmetic Act requires supervision of the enormous volume of foods, drugs, devices, and cosmetics shipped under the jurisdiction of the Act and involves the formulation of standards for a great variety of food products, the promulgation of formal regulations having the force and effect of legal requirements, the determination of what ingredients and adulterants in foods, drugs, and cosmetics may be harmful to health, the issuance of decisions applying the law and regulations to particular products, the inspection of factories, the micro-analytical, bacteriological, pharmacological, and physical examination of shipments of foods, drugs, and cosmetics, and the preparation and presentation of evidence in court on violations of the Act. It also includes the examination of foods, drugs, and cosmetics offered for entry into this country and the exclusion of those products that fail to comply with the provisions of the Act.

It is necessary for the effective enforcement of the Act to carry on research work to develop new methods of analysis to detect adulteration in food, drugs, dyes, and cosmetics; to determine the potency or the lack of potency of products subject to the Act; and to ascertain the normal composition of various food products, when the necessary information is not otherwise available.

The volume of work under the Act of 1938 is greatly increased over that under the Act of 1906. In addition to the work formerly required, the new Act involves among other things formulating standards for foods, supervising the informative labeling of infants' and invalids' foods, issuing permits for new drugs, controlling preparations affecting bodily structure and function, controlling curative and diagnostic devices, and regulating trade in cosmetics.

(c) ENFORCEMENT OF THE TEA IMPORTATION ACT

Appropriation Act, 1939 \$40,094
 Budget Estimate, 1940 40,094

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the Tea Importation Act	\$39,422	\$40,094	\$40,094
Unobligated balance	672	- - -	- - -
Total appropriation	40,094	40,094	40,094

WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Tea Importation Act, approved March 2, 1897 (21 U.S.C. 41-50). Every consignment of tea imported into the United States is inspected both as to purity and quality. A board of tea experts determines a suitable standard for tea each year, and no tea for beverage purposes is permitted entry into the United States that falls below that standard. Before the enactment of the Tea Importation Act much low-grade tea that was unfit for use was sent to the United States.

(d) NAVAL STORES ACT

Appropriation Act, 1939 \$34,700
 Budget Estimate, 1940 34,700

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Enforcement operations under the Naval Stores Act	\$23,477	\$24,185	\$24,185
2. Service operations under the Naval Stores Act	10,076	10,515	10,515
Unobligated balance	1,147	- - -	- - -
Total appropriation	34,700	34,700	34,700

WORK UNDER THIS APPROPRIATION

General.-- This item provides for the enforcement of the Naval Stores Act, approved March 3, 1923 (7 U.S.C. 91-99), which provides for a grading service and for preventing adulteration and misbranding.

1. Enforcement operations under the Naval Stores Act.-- The Secretary is authorized to purchase from time to time samples of spirits of turpentine and of anything offered for sale as such for the purpose of analysis, classification, or grading and of detecting any violation of the Act. Naval stores offered for import or export, as well as naval stores that enter interstate commerce, are subject to all the provisions of the Act.

2. Service operations under the Naval Stores Act.-- The Department examines, if practicable, upon request of any interested person, any naval stores and analyses, classifies, or grades the same on tender of the cost thereof as required by the Secretary of Agriculture under such regulations as he may prescribe. Certificates are furnished showing the analysis, classification, or grade of such naval stores, which certificates shall be prima facie evidence of the analysis, classification, or grade of such naval stores and of the contents of any package from which the same may have been taken, as well as of the correctness of such analysis, classification, or grade, and shall be admissible as such in any court. Fees received for this service average nearly \$10,000 a year, which are deposited to the credit of "miscellaneous receipts". The project is therefore practically self-supporting.

(e) ENFORCEMENT OF THE INSECTICIDE ACT

Appropriation Act, 1939 \$208,180
 Budget Estimate, 1940 208,180

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Enforcement operations under the Insecticide Act	\$179,706	\$180,910	\$180,910
2. Investigation of methods of testing and efficacy of insecticides & fungicides	26,852	27,270	27,270
Unobligated balance.....	1,622	- - -	- - -
Total appropriation.....	208,180	208,180	208,180

WORK UNDER THIS APPROPRIATION

General.-- This appropriation provides for the enforcement of the Insecticide Act approved April 20, 1910 (7 U.S.C. 121-134). The Insecticide Act makes illegal the manufacture, sale, or transportation in interstate commerce of adulterated or misbranded insecticides and fungicides, as well as their importation and exportation. It prescribes definite standards to which all lead arsenates and Paris greens subject to its provisions should conform. It provides that all insecticides and fungicides, other than lead arsenates and Paris greens, that contain inert ingredients shall bear, upon the face of the principal label of every package, a statement giving the name and quantity of each inert ingredient of the preparation, with a statement that such ingredient is inert, or, instead, a statement giving the name and quantity of each active ingredient, with the percentage of the combined inert ingredients. The principal labels for insecticides, other than lead arsenate and Paris green, and for fungicides that contain arsenic or compounds of arsenic, must show the percentage of arsenic present. Any false or exaggerated claim as to the efficacy of an insecticide or fungicide constitutes a violation of the law. The Act requires further that all insecticides and fungicides must be up to the standards under which they are sold and that no insecticide or fungicide shall contain any substance or substances that will injure the plant on which it may be used.

1. Enforcement operations under the Insecticide Act.--The work under this project consists of the collection of samples of insecticides and fungicides, including disinfectants; making chemical analyses; performing actual field tests where necessary; bacteriological tests; and the preparation of the evidence developed for presentation to the courts on such samples of insecticides and fungicides shipped in violation of this Act.

2. Investigation of methods of testing and efficacy of insecticides and fungicides.--This work consists of the investigation and development of methods for the chemical analysis of insecticides and fungicides, for the bacteriological testing of disinfectants, for the field testing of insecticides and fungicides; also the testing of ingredients or proprietary preparations to determine their efficacy as insecticides and fungicides.

(f) ENFORCEMENT OF THE MILK IMPORTATION ACT

Appropriation Act, 1939 \$19,241
 Budget Estimate, 1940 19,241

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the Milk Importation Act	\$18,019	\$19,241	\$19,241
Unobligated balance	1,222	- - -	- - -
Total appropriation	19,241	19,241	19,241

WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Milk Importation Act approved February 15, 1927 (21 U.S.C. 141-149). The Act requires inspection both at the source and at the ports of entry. The work of enforcing the Act, therefore, involves the supervision of the sanitary inspection of Canadian shipping plants and dairies from which milk is shipped to the United States and supervision of the physical examination and, in most instances, tuberculin testing once a year of cattle from herds producing milk shipped to the United States, this work being carried out in collaboration with Canadian officials as authorized by the Act. The work also involves the bacteriological examination and temperature tests of sufficient representative samples of all imported milk and cream to insure compliance with the Act at ports of entry. Milk may be brought into the United States at any port along the Canadian border, but the bulk of the milk and cream imported from Canada comes in through New York and New England ports of entry.

(g) ENFORCEMENT OF THE CAUSTIC POISON ACT

Appropriation Act, 1939 \$24,741
 Budget Estimate, 1940 24,741

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the Caustic Poison Act	\$23,896	\$24,741	\$24,741
Unobligated balance	845	- - -	- - -
Total appropriation	24,741	24,741	24,741

WORK UNDER THIS APPROPRIATION

Under this item is conducted the work of enforcing the Caustic Poison Act, approved March 4, 1927 (15 U.S.C. 401-411). This Act imposes upon the Department the obligation of seeing that the large number of preparations containing caustic or corrosive substances and sold in interstate or foreign commerce for household use are correctly labeled with the common name of the substance, with the word "Poison", with directions for treatment in case of accidental personal injury, and with the name and place of business of the manufacturer, packer, seller, or distributor. To enforce the Act samples must be collected from the products, their composition determined by chemical analysis, and such tests made as will establish whether any or all of the ingredients are caustic or corrosive and whether the directions given in case of injury are correct and adequate. Corrective action is taken to check commerce in products that violate the provisions of the Act.

(h) ENFORCEMENT OF THE FILLED MILK ACT

Appropriation Act, 1939 \$10,000
 Budget Estimate, 1940 10,000

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the Filled Milk Act ..	\$4,967	\$10,000	\$10,000
Unobligated balance	5,033	- - -	- - -
Total appropriation	10,000	10,000	10,000

WORK UNDER THIS APPROPRIATION

This appropriation provides for the enforcement of the Filled Milk Act, approved March 4, 1923 (21 U.S.C. 61-63), as amended by the Act of August 27, 1935 (21 U.S.C. 64). The Act prohibits the shipment in interstate or foreign commerce of so-called filled milk, which is made by the removing of butterfat and the substitution of other fats. Enforcement work requires the collection and analysis of samples of milk and milk products suspected of containing foreign fats and the taking of appropriate action to check commerce in products that are in violation of the Act.

(i) ENFORCEMENT OF THE SEA FOOD INSPECTORS ACT

Appropriation Act, 1939 \$40,000
 Budget Estimate, 1940 40,000

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
Enforcement of the Sea Food Inspectors Act	\$97,013	\$97,265	\$97,265
Less receipts from fees	-70,702	-57,265	-57,265
Unobligated balance	13,689	- - -	- - -
Total appropriation	40,000	40,000	40,000

WORK UNDER THIS APPROPRIATION

This item covers the inspection of the packing of sea foods upon the application of the packers. The service includes inspection of raw materials, the various processes of packing, the sanitary conditions involved, and the finished product. The appropriation provided annually by the Agricultural Appropriation Act provides for the payment of salaries of sea-food inspectors for approximately five months. Additional salaries for inspectors, administration, and miscellaneous expenses incurred in providing this service are paid from funds contributed by the packers receiving the service.

CHANGE IN LANGUAGE

UNDER PARAGRAPH "TOTAL, FOOD AND DRUG
ADMINISTRATION"

It is recommended that the language of this paragraph be amended by substituting for the word "Total" the following:

"In all, salaries and expenses, to be accounted for as one fund"

For explanation of this change see general note in these Justifications under Office of Experiment Stations, page 54 .

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger-carrying vehicles contemplates an increase of \$17,450 (\$18,175 in 1939, \$35,625 estimated for 1940). The \$35,625 will permit the needed replacement of 45 vehicles and the purchase of 30 additional vehicles. These 30 additional cars will be required for the proposed increase in staff for the enlarged scope of the work authorized by the new Federal Food, Drug, and Cosmetic Act of June 25, 1938.

The use of automobiles for the purpose of carrying on inspection work under the seven acts enforced by the Food and Drug Administration is essential. Factories, dairies, orchards, canneries, warehouses, retail establishments, and other places where foods, drugs, cosmetics, insecticides, and naval stores are manufactured, produced, or distributed must be visited and inspected. Shipments of these commodities by freight, express, and trucks must be kept under surveillance and samples collected and delivered for shipment to the Administration's laboratories for analysis and examination. This can be done most economically and efficiently by the use of automobiles.

The purchase and operation of Government-owned cars has been found from experience to be more economical for inspection work than either the hiring of commercial automobiles or the use of privately-owned cars of employees on a mileage basis. Records kept over a series of years indicate that the average cost per mile of a Government-owned car, taking into consideration deterioration in the value of the car and all operating and maintenance expenses up to the time it is turned in and is no longer serviceable, and then deducting exchange allowance, is approximately 3 1/2 cents per mile. These machines have been operated under practically all conditions from city streets to unimproved dirt roads. It is estimated that the average mileage for the cars that will be turned in will be 49,000 miles, based on the known mileage of these cars as of June 30, 1938.

The Administration has ascertained from experience with the operation of light cars that for efficiency and economy in operation, and to secure the best turn-in allowance, it is for the best interests of the Government that cars be replaced after approximately 40,000 to 50,000 miles of use.

SOIL CONSERVATION SERVICE(a) SALARIES AND EXPENSES - PREAMBLEChanges in Language

The following changes in language are recommended in the introductory clause to "Salaries and Expenses":

(1) Provision is made for the construction of ten buildings at the limit cost of \$15,000 instead of six provided for in the 1939 Act. These buildings are necessary in connection with research activities under the appropriation "Soil and Moisture Conservation and Land-Use Investigations" and in the operation of erosion control nurseries established under the appropriation "Soil and Moisture Conservation and Land-Use Operations, Demonstrations, and Information".

(2) In the third proviso the fiscal year figure "1939" is eliminated and the words "for which appropriations are herein made" substituted in lieu thereof, in order to avoid the necessity for an annual change in subsequent year figures.

(b) GENERAL ADMINISTRATIVE EXPENSES

Appropriation Act, 1939	\$552,050
Budget Estimate, 1940	<u>552,050</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
General administration and business service.....	(a) \$550,317	\$552,050	\$552,050
Unobligated balance.....	229	---	---
Total appropriation.	(a) 550,546	552,050	552,050

(a) Obligations, 1938, are exclusive of the following allotments:

"Salaries, Office of Secretary".....	\$60,955
"Rent of Buildings, Department of Agriculture".....	50,487
"Printing and Binding, Office of Information".....	5,110
"Salaries and Expenses, Office of Solicitor".....	7,902
Total.....	<u>124,454</u>

WORK UNDER THIS APPROPRIATION

This appropriation provides for the offices of the Chief and Assistant Chief of the Service; for the salaries and expenses of the Division of Administration in Washington, which is engaged in general administrative activities, including budget, fiscal, personnel, procurement, property records, and general service activities; and for the general direction and supervision by the Washington office of related functions in the field.

SUPPLEMENTAL FUNDS

Projects	Obligated, 1938	Estimated obligations, 1939
<u>Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.): For administrative expenses in connection with a national program of soil conserva- tion.....</u>	\$36,317	\$22,500

(c) SOIL AND MOISTURE CONSERVATION AND LAND-
USE INVESTIGATIONS

Appropriation Act, 1939	\$1,510,601
Allotment for transfer in 1940 Estimates from "Agricultural Engineering investigations, Bureau of Agricultural Engineering" (for farm irrigation and land drainage investigations).....	120,584
Available, 1939.....	1,631,185
Budget estimate, 1940.....	<u>1,631,185</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm .	\$622,939	\$632,504	\$632,504
2. Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods...	503,701	490,518	490,518
3. Investigations of sedimentation resulting from erosion.....	104,138	103,960	103,960
4. Investigations of geographic and climatic factors related to erosion.....	80,969	87,535	87,535
5. Investigations of the economics of soil and water conservation.....	98,334	98,042	98,042
6. Investigations of erosion-resisting plants of economic value.....	87,718	98,042	98,042
7. Farm irrigation investigations....	89,150	85,544	85,544
8. Farm drainage investigations.....	35,190	35,040	35,040
Unobligated balance.....	19,257	---	---
Total.....	1,641,396(a)	1,631,185	1,631,185

(a) For 1938, excludes the following allotments:

"Rent of Buildings, Department of Agriculture".....	\$19,228
"Printing & Binding, Department of Agriculture".....	6,509
Total	<u>25,737</u>

CHANGES IN LANGUAGE

It is proposed to broaden the scope of the authority in this paragraph by adding the clause "including the construction and hydrologic phases of farm irrigation and land drainage." This change will authorize the Soil Conservation Service to conduct certain phases of the research work on farm irrigation and land drainage by transfer from the Bureau of Agricultural Engineering. The proposed change does not authorize any new work but simply provides authority for work under this appropriation previously provided under the appropriation for the Bureau of Agricultural Engineering.

WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for research and investigations into the character, cause, extent, history, and effects of soil and water depletion and methods for soil and water conservation. These investigations are fundamental to the development of practical and effective measures that will maintain the land or restore it to a usable and profitable condition. The work is carried forward under six financial projects, as follows:

1. Investigations of the principles involved in soil and moisture conservation and methods for their practical application on the farm. -- Investigations are carried out under this project to discover and test principles and practices of agricultural land use necessary to conserve and utilize the soil and water resources of the Nation. These studies are directed toward furnishing the basic information upon which to build a permanent system of agriculture. The work is centered at a number of selected soil and water conservation experiment stations and laboratories, located upon land typical of extensive areas of erodible soils and broad climatic zones subject both to wind and water erosion. The plan of work covers not only the technical investigations of the ~~cause of~~ and remedies for soil erosion but also the practical and inexpensive field application of control measures. As soon as a promising practice has been developed and tested on an experiment station, it is given further trial on operation projects and finally made available to farmers through the Section of Information, soil conservation districts, and the Extension Service in the areas to which it is applicable.

Past work at the experiment stations has formed a basis for much of the erosion-control work of the Soil Conservation Service on demonstration projects and on entire watershed areas. Records of soil and water losses under different types of treatment give clear proof of the remarkable efficiency of close-growing vegetation in reducing erosion and increasing the permeability of the soil for water. Here for the first time research methods are applied to the diverse problems of stabilizing soils of different types under a variety of crops. The success obtained has been due to the coordinated plan of attack, involving the cooperation of interested bureaus in the Department of Agriculture and of the State experiment stations.

The programs of these stations are as complete as funds permit, and a variety of physical and chemical problems are under investigation in an attempt to correlate various soil and climatic factors. Investigations of this type require time but important results have already been published in mimeographed reports, printed bulletins, and news releases. (The facilities of these stations are made available for the work under the other financial projects, particularly "Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods").

Some of the more immediately applicable investigations are:

(a) Studies to determine the quantities of soil and water being lost under different farming practices and for different climatic, topographic, and soil conditions in the various agricultural regions, including determination of the principal causes of such losses and the development and testing of practical agronomic and engineering methods for their control and prevention; (b) investigations into the vegetative protection of eroded soils; and (c) evaluation studies through observation surveys, practical tests, and field trials upon selected farm sites in problem areas.

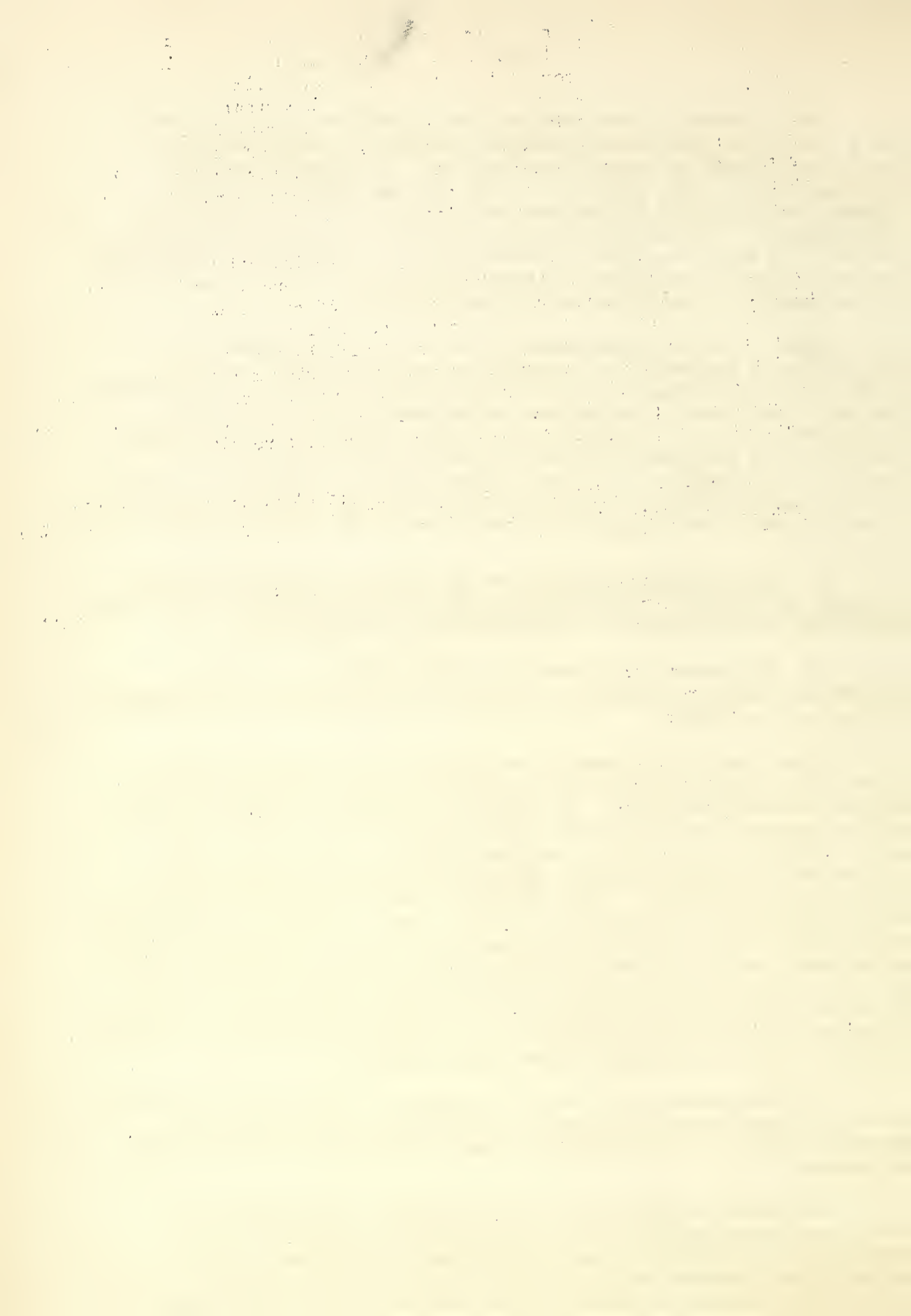
2. Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods.---Work under this project consists of the following investigations:

(a) Experimental determination of the influence of erosion-control and land-use practices on floods and soil and water conservation over entire watersheds.

Investigations are made of the action of water from the time it reaches the ground as precipitation until it leaves the watershed as surface or underground flow. The effects of physical characteristics of the experimental watersheds that affect runoff and flood flow, such as soil, topography, size, slope, drainage, pattern, vegetative cover, surface and underground storage, tillage methods, and erosion-control practices, are evaluated. These intensive investigations are conducted on entire experimental watersheds of suitable areas. Two such experimental studies involving watersheds of approximately 5,000 acres each have been established, one in the Muskingum Watershed Conservancy District in Ohio and the other in the Brazos River Conservation and Reclamation District in Texas. Furthermore, through cooperation with these districts, certain investigations are being extended so as to include the larger watersheds of these entire flood-control conservancy districts.

(b) Determination of rates and amounts of runoff from watersheds and agricultural areas throughout the United States for use in the economic design of erosion control, flood control, and other hydraulic structures.

The practical application of the results of the experimental work are extended geographically through studies conducted on small agricultural watersheds throughout the country, which are located on experiment stations and on projects of the Operations Division of the Soil Conservation Service. The results obtained there are, in turn, interpreted and extended for application to larger watersheds.



At a number of stations runoff data with varying types of plant cover is being obtained by measurements of soil and water loss on small plots produced by the application of artificial rainfall. This makes possible immediate collection of such data without awaiting the occurrence of intense storms.

3. Investigations of sedimentation resulting from erosion.--

It is recognized that accelerated soil erosion produces abnormal quantities of silt, sand, and gravel which are carried from fields and deposited at lower levels. The resulting accumulations of sediment cause impairment of drainage and the fertility of soils on the lower slopes of fields and on agricultural bottomlands; they cause abnormally rapid filling of stream channels and reservoirs, with consequent damage to water supply, water power, irrigation, drainage, navigation, and flood-control developments.

The research work under this project covers a complete study of the debris resulting from soil erosion after it enters the drainage and river systems of the country. It is fundamental in carrying out that part of the Soil Conservation Act which reads "and thereby to preserve natural resources, control floods, prevent impairment of reservoirs, and maintain the navigability of rivers and harbors, protect public health....". The work consists, first, of the collection of data that will complete the information needed to evaluate the damage caused by erosion to the land itself and to the downstream resources, and, secondly, the use of these data in the developing of empirical methods for the control of this erosional debris, and thereby reducing its damaging effects and possibly making beneficial use of it, and their further use in the search for the underlying natural laws governing the removal and transportation of soil by water, now unknown to science and engineering.

These investigations are designed to furnish (a) information on the damage done by sediment, as well as the magnitude of potential damage to be expected if present practices are continued; (b) a measure of the relative needs of the different watersheds for erosion control and readjustments in land use from the standpoint of protecting developed water storage, flood-control improvements, and investments in agricultural land subject to damage from erosional debris; (c) further knowledge of the natural laws governing the erosion of soil by water; and (d) assistance in developing economical methods of preventing damage to valley agricultural lands and to many valuable developments and resources.

4. Investigations of the geographic and climatic factors related to erosion. -- Erosion-control measures are not universally applicable under all environmental conditions. Those which are successful in the Piedmont may fail completely if applied in the Southwestern States. It is, therefore, necessary to study in detail the climatic and geographic factors which cause these regional differences. The following studies necessary to evaluate the factors concerned are carried out under this project:

(a) Climatic research: This includes the classification of rainstorms to show the types which ordinarily occur in each climatic region and the manner in which they contribute to soil erosion and flood formation. It also includes investigations of the influence of various land-use practices on evaporation.

Climatic conditions affect not only the distribution of vegetation and the formation of the major soil groups but also the type and intensity of soil erosion. For this reason studies have been initiated to delimit accurately the climatic regions of the country to serve as units for the study of erosion hazards; to determine the extent and distribution of the climatic factors which cause soil erosion, such as the frequency of storms and rainfall of varying and dangerous sizes and intensities; and the expectancy of climatic hazards, such as drought. This work is carried on in cooperation with the Weather Bureau and is supplemental to their studies.

(b) Physiographic research: Field studies of the geologic processes involved in erosion (such as the mechanics of gully cutting, sheet wash, and wind erosion and the relation of these processes to the character of the bed rock, soil type, climate, vegetation, and previous use of the land) are being initiated in several of the climatic regions of the country. For each of these it is necessary to develop a specific set of standards for rapid diagnosis of the stage of erosion or recovery and for estimating the effectiveness of control measures.

(c) Erosion history studies: Through research in erosion history it is becoming possible to determine the cause and rate of erosion due to man's use as contrasted to geologic norms of erosion and to assemble the results of past experience of practical farmers in erosion control. Modern controlled experimentation should begin at the point where experience ends. In all sections of our country erosion followed almost immediately upon settlement. Progressive farmers recognized the evil and, in many cases, tried farm practices which appeared adapted to their individual erosion problem. Records of their experience form the largest mass of erosion-control literature available today. Nature, too, has supplied means for controlling even the most malignant types of erosion through use of vegetative covers. Erosion-resisting plants have been introduced from Africa, Asia, and South America. A systematic examination of the literature of foreign regions which have climatic and physiographic conditions similar to those in our own country enables us to locate new plants adapted to erosion control and to capitalize on the experience which foreign countries have acquired during their longer agricultural histories. Through systematic search of old journals and newspapers the relation of changing land use to erosion and floods is determined. Results of the above studies effect economies through avoiding unnecessary and expensive experimentation.

5. Investigations of the economics of soil and water conservation.-- The work under this project is designed to develop an economic appraisal of the current soil conservation program and to provide suggestions for its improvement.

This appraisal is developed through a determination of the changes in the ownership, operation, and financial organization of farms, ranches, and orchards and in the income and standard of living of their operators brought about both by erosion and by an erosion-control program, as well as by the effect of the latter agencies on nonagricultural individuals, institutions, and communities. Furthermore, this appraisal involves a determination of the damage sustained by the public due to the destruction of land by erosion and the accumulation of erosional debris on roads, in streams, and in reservoirs; the cost to the public of erosion control; and, finally, a measurement of the public benefits to be gained from a coordinated program of soil and water conservation.

These studies are carried out in cooperation with the Bureau of Agricultural Economics, the State agricultural experiment stations, and other appropriate bureaus and agencies; with farmers both within and without the soil conservation demonstration and camp areas; and with individuals and organizations qualified to furnish information leading to the evaluations contemplated.

These investigations are necessary in order to provide much needed information, for which there is tremendous demand, for the workers in the Soil Conservation Service and in allied fields, for farmers, and for all others interested in the question as to how far a soil and moisture conservation program is economically feasible and how its cost may be justly distributed among its beneficiaries under different conditions of soil, slope, severity of erosion, cost of control, land value, potential income, market prices, and other limiting factors.

6. Investigations of erosion-resisting plants of economic value.--

The work under this project aims to improve erosion-control vegetation for safe and profitable use on sloping agricultural land through research done in cooperation with other Departmental agencies and the State agricultural experiment stations. Permanent and effective erosion control is accomplished largely by establishing and maintaining perennial vegetative cover on soils subject to erosion. Many millions of acres of agricultural land must be retired from clean-tilled cultivation incident to accomplishing the national program of soil and water conservation. The annual cash returns from uncultivated vegetation, such as ordinary forest cover or pasture, are frequently not sufficiently high to justify the average farmer in discontinuing cultivation to the extent called for in the erosion-control plans. Consequently an urgent need exists to find new and economically profitable plant covers preeminently adapted to erosion-control purposes on this retired land.

A serious erosion problem which existed in the Dutch East Indies was overcome by research development of highly improved selections of crop-producing shrubs, trees, and perennial groundcovers grown under a system of scientific soil-saving farming known as bergculture or hillculture. This system was developed to meet conditions in the tropics, but hillculture principles can be applied to the United States through study and experimentation.

The purpose of these investigations is to find superior types of erosion-resisting plants having high actual or potential economic possibilities; to work with and test combinations of these plants for adapting them to erosion-control land use in the different climatic regions, soils, and sites; to determine the economic uses and values of these plants and secure their improvement through selection and breeding, if necessary; and to perfect economical methods of propagating, managing, and utilizing the selected strains. Plants for new and desirable human foods, such as improved nuts and wild fruits, offer sound possibilities for hillculture development, while numerous other erosion-control plants may produce commercial products having a wide variety of uses. The plan of work calls for three primary and interdependent steps in cooperative research, as follows:

(1) The first step is exploratory investigation to orient the cooperative plant research in relation to erosion-control requirements. The established facts on erosion-controlling economic plants need to be collected and synthesized; plant strains having promise for hillculture purposes need to be found and evaluated; and erosion-control standards need to be developed as specifications to guide the research done by cooperating agencies for the improvement, profitable use, and proper management of these plants and plant covers.

(2) The second phase of the research, done through direct cooperation with the State agricultural experiment stations, is to conduct systematic hillculture field tests and management studies. As rapidly as promising hillculture plants are found tests to determine the range of climatic adaptation are made in cooperation with all State experiment stations and other cooperating agencies. Intensive tests of integrated erosion-control covers are made at selected stations representing erosion-control conditions over a wide region. These detailed tests relate both to determination of erosion-control effects and economic production of the selected and managed vegetation growing on sloping lands.

(3) The third phase of these investigations relates to improving the erosion-control qualities of promising hillculture plants. Quick and cheap cultural methods of propagating the selected strains from vegetative parts are used so that the superior qualities are retained by the progeny and planting stock made available at reasonable cost. The research on this phase of the project is conducted in cooperation with the Bureau of Plant Industry.

7. Farm Irrigation Investigations.-- The work under this project consists of the development of more efficient and effective practices in farm irrigation in its relationship to soil and moisture conservation and proper land use. The work includes investigating and reporting upon the best methods of conserving and applying irrigation water to the fields so as to provide an adequate supply for plant growth without creating an erosion hazard; ways and means of decreasing losses of water between the source of supply and point of application; development of apparatus for accurately measuring the quantity of water delivered to the farmer and of means for securing

the economical conveyance of irrigation water; development of pumps and equipment for utilizing underground waters; storage of flood waters in order to prevent soil erosion and later use through irrigation; and development of diversion dams and desilting works that will make it possible to turn flood waters, which would otherwise be lost, directly into irrigation canals. Investigations and reports are made upon the customs, regulations, laws, and methods affecting farm irrigation.

Snow surveys for the purpose of forecasting irrigation water supplies are also made. This work is of great importance to the irrigation farmer whose source of supply is mountain snowfall in that it enables him to adapt his cropping program to the amount of water which will be available during the growing season. Water shortages can be predicted before they occur and cropping plans can be made before planting time to fit the water situation.

8. Farm Drainage Investigations.-- The work under this project consists of the development of better methods and materials for the drainage of agricultural lands, the improvement of equipment used in constructing drainage works, and the development of more effective and efficient methods of maintaining drainage improvements in relation to soil and moisture conservation and proper land use. Investigations and reports are made upon the laws, regulations, and methods affecting drainage with the view of developing cheaper methods of organizing, administering, and maintaining drainage enterprises. Basic hydraulic information is being developed which when applied to the design of drainage ditches, tile drains, and pumping plants will result in greater efficiency and reduced costs.

SUPPLEMENTAL FUNDS

Direct Allotments

Projects	Obligated, 1938	Estimated obligations, 1939
<u>Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.):</u>		
Investigations of the principles involved in soil and moisture conservation and of methods for their practical application on the farm.....	\$406	---
Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods.....	2,293	\$1,520
Investigations of sedimentation resulting from erosion.....	2,802	1,975
Investigations of geographic and climatic factors related to erosion.....	9,151	9,025
Investigations of the economics of soil and water conservation.....	1,010	600
Investigations of erosion-resisting plants of economic value.....	1,611	3,385
Total, as above.....	17,273	16,505
<u>Emergency Relief, Agriculture, Soil Conservation Service (Transfer from W.P.A.):</u>		
Investigations of the principles involved in soil and moisture conservation, and methods for their practical application on the farm.....	43,032	32,276
Watershed investigations of the effect of land-use practices on runoff as related to the methods of control of erosion and floods.....	125,345	47,243
Investigations of sedimentation resulting from erosion.....	57,923	30,572
Investigations of geographic and climatic factors related to erosion.....	222,528	108,303
Investigations of the economics of soil and water conservation.....	26,783	16,482
Investigations of erosion-resisting plants of economic value.....	76,302	43,436
Total, as above.....	551,913	278,312
Total, Supplemental Funds.....	569,186	294,817

(d) SOIL AND MOISTURE CONSERVATION AND LAND-USE
OPERATIONS, DEMONSTRATIONS, AND INFORMATION

Appropriation Act, 1939 \$21,462,349
Budget estimate, 1940..... 21,462,349

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies:			
a. Physical land surveys outside districts and demonstration areas to serve as basis of land-use reorganization, including all cartographic and multilithing activities necessary to map re-production.....	\$835,571	\$882,138	\$882,138
b. Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions.....	12,539,144	10,286,705	10,286,705
c. Soil and moisture conservation operations (Federal aid) in co-operation with soil conservation districts established under State laws.....	625,752	3,158,988	3,158,988
d. Technical cooperation with Civilian Conservation Corps camps and other Federal and State agencies.....	1,924,426	2,295,694	2,295,694
Total, Project 1.....	15,924,893	16,623,525	16,623,525
2. Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.....	3,516,167	3,588,313	3,588,313
3. Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations.....	1,316,792	1,250,511	1,250,511
Unobligated balance.....	1,168,989	---	---
Total.....	(a)21,926,841(b)	(a)21,462,349	21,462,349

(a) Includes the following transfers to:	<u>1938</u>	<u>1939</u>
"Working fund, Commerce, Coast and Geodetic Survey (salaries and expenses)", for installation of controls for aerial survey.....	\$66,450	\$35,000
"Miscellaneous researches, National Bureau of Standards", for tests of photographic materials....	1,000	1,000
"Rent of Buildings, Department of Agriculture", for rent of buildings in the District of Columbia.....	15,000	4,724
"War Department", for the establishment of aerial survey controls on the High Rock Reservoir area....	2,500	---
Total.....	<u>84,950</u>	<u>40,724</u>

(b) For 1938, exclusive of the following allotments to:	
"Salaries, Office of Secretary of Agriculture".....	\$1,323
"Salaries and expenses, Office of Information".....	11,641
"Rent of buildings, Department of Agriculture".....	39,494
"Printing & Binding, Department of Agriculture".....	195,701
Total.....	<u>248,159</u>

CHANGES IN LANGUAGE

The following changes in language are proposed in this paragraph:

(1) The words "and land-use" have been added to this sub-appropriation title to make it more clearly describe the work being done. Proper land use is such a fundamental part of a program for soil and water conservation that it is felt this phrase should be added to the title. It does not affect the scope of the work under way.

(2) The phrase "including the improvement of farm irrigation and land drainage" has been added to cover demonstration work on farm irrigation and land drainage, which is being transferred in these Estimates to the Soil Conservation Service from the Bureau of Agricultural Engineering.

WORK UNDER THIS APPROPRIATION

General.--This appropriation provides for a national program for conducting conservation operations, making demonstrations, and disseminating information relating to practical and effective measures of conserving soil and water, including the operation of erosion nurseries, the making of conservation surveys and plans, and the furnishing of technical cooperation to various Federal, State, local, and/or other agencies either administering public lands or in a position to assist in the establishment and enforcement of soil and water conserving practices. The work is carried forward under the following projects:

1. General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies.--This project is subdivided into four work projects, as follows:

(a) Physical land surveys outside district and demonstration areas to serve as basis of land-use reorganization, including all cartographic and multilithing activities necessary to map reproduction.--This project involves field mapping and the preparation for and publication of soil conservation surveys.

The field surveys consist of mapping four physical land factors, namely, soil type; nature, degree, extent, and distribution of water and wind erosion; percentage of slope; and the present utilization of the land. These four factors are utilized as a basis for the determination of land-use capabilities which will conserve soil and water resources.

The surveys are fundamental to a proper determination of sites for research and demonstrations and to an understanding of the nature, extent, and distribution of the problems of soil erosion and water conservation. They are essential to the development of over-all plans for projects, in soil conservation districts, and in water facilities and flood-control programs and are basic to the completion of operations in each of these programs.

Detailed soil conservation surveys carried out on individual farms, ranches, or orchards and necessary in the preparation of re-organized farm plans for soil and moisture conservation on approved demonstration projects, CCC camp areas, legally constituted soil conservation districts, and water facilities and flood control projects are not included under this project, since the cost of such work is properly chargeable against the respective project expenditures. However, the character of these surveys is similar to those carried on outside project areas and, should an operations program be developed in an area which has been previously surveyed, the original survey is utilized without duplication.

Mapping in the field is done on aerial photographs, which are obtained by letting contracts or borrowing negatives from other agencies. Field maps are prepared for publication by compilation of a controlled base map upon which field information and culture are transferred. The detailed survey maps are reproduced by multilithing and distributed along with printed reports.

The lack of adequate information as to the nature and extent of erosion, the kinds and productivity of the soils, and the slope of the land in continental United States and its insular possessions shows the great need of this work for the development of operations programs. The general reconnaissance erosion survey made in the fiscal year 1935 at the request of the National Resources Committee gave a very general picture of the problem, and this project has been utilized to bring out

detailed survey information to show the character and seriousness of erosion and the need for soil and water conservation throughout the Nation.

The surveys and reports are completed in cooperation with other Federal and State agencies and are available for use by all organizations interested in plans and programs for improving agricultural conditions.

(b) Soil and moisture conservation operations by means of demonstration projects in agricultural and erosion regions.-- This project consists of the establishment of projects in selected areas typical of agricultural regions seriously affected by erosion and the development and carrying out of a complete soil and moisture conservation and run-off retardation program for each cooperating farm within these areas. The purpose of such projects is to demonstrate practical and effective methods and practices for soil and water conservation under a proper land-use program. An educational program is carried out in cooperation with the Agricultural Extension Service so that information concerning the beneficial results of these demonstrations may be brought to the attention of the public, particularly in farming communities.

Under this project, in cooperation with the Division of Research, evaluation surveys are made (1) to determine the effectiveness and practicability of different erosion-control practices and combinations of practices, (2) to provide facts which will aid in improving practices and formulating plans for soil and water conservation, and (3) to furnish accurate and needed information for statistical purposes.

(c) Soil and moisture conservation operations (Federal aid) in cooperation with conservation districts established under State laws.--Under this project technical cooperation is furnished to soil conservation districts established under State legislation. This cooperation consists of the making of surveys of the physical land factors, the making of soil conservation plans for individual farms based upon such surveys, and in some cases the furnishing of planting materials, the loaning of equipment, and other similar types of assistance.

States which have enacted soil conservation district laws to date (December 1, 1938) are Arkansas, California, Colorado, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Nebraska, Nevada, New Jersey, New Mexico, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Utah, Virginia, and Wisconsin.

The districts organized under this legislation are created as governmental subdivisions of the State with authority to carry on soil conservation operations, cooperate with and receive assistance from State and Federal agencies, and, in practically all of the States, to adopt and enforce land-use regulations. The districts organized to date are

averaging approximately 500,000 acres in area. Through furnishing technical planning and supervision to these districts, it is possible to secure widespread application of the measures and practices necessary to the establishment of a proper land-use program involving soil and water conservation.

(d) Technical cooperation with Civilian Conservation Corps camps and other Federal and State agencies.--This project provides for the furnishing of technical cooperation in the form of planning services to other Federal agencies, including OCC camps engaged in soil conservation activities, and to non-Federal agencies. Through such technical planning services other agencies engaged in activities related to soil conservation are enabled to adjust their operations in such a manner as to accomplish control of erosion without additional operating expense to the Federal Government.

2. Soil and moisture conservation operations on watersheds largely owned or controlled by the Government. -- Operations under this project involve soil and moisture conservation activities on watershed areas composed in major part of Federally owned or controlled land (public domain, Indian reservations, parks, and other Federal reserves). Operations on Federally owned or controlled land falling within soil conservation districts are also financed from funds provided by this project.

These areas, largely under Federal control have long been subject to severe overgrazing, which has resulted in the denudation of natural vegetation, the prevention of plant reproduction in certain forest and formerly grassed areas, an exceedingly serious acceleration of erosion, and the formation of destructive floods carrying large quantities of silt. This process has upset the balance between rainfall and vegetative cover and the resulting amounts of runoff, infiltration, and underground storage of water. Perennial streams, formerly not subject to destructive floods, have been transformed into eroded washes, either entirely dry or overflowing with flash floods. In these areas, where the Federal Government is responsible for the land, early application of soil and moisture conserving methods and practices is desirable for demonstrational value and also to prevent the problem from becoming more acute.

Irrigated lands in the lower reaches of watersheds are subject alternately to lack of water and destruction through bank and new channel cutting by meandering currents. Large irrigation projects are threatened with relatively early abandonment due to siltation of reservoirs and irrigation canals. Areas formerly made productive by flood-water irrigation methods are being progressively abandoned due to back-cutting of gullies and denudation of local watersheds.

Grazing values of range lands in many areas are declining to the point where the virtual abandonment for economic use of large livestock areas is imminent. As a consequence, the permanent habitability of large portions of the areas concerned is threatened, and large Federal

and private investments in irrigation reservoirs and values dependent thereon are likewise menaced. The plan of operation on these projects contemplates the restoration of natural balance through the following procedure: (1) The preparation of a comprehensive and integrated plan and method of procedure for each watershed, including the necessary surveys of range-carrying capacities, topographic, erosion, and soil conditions, climatological data, natural water supply, and the outline for readjustments and methods of land use based on existing population distribution and economic conditions as related to the physical factors involved. Such plans are also being integrated with those of other agencies having responsibilities in these watersheds. (2) The application of control measures such as the prevention of overgrazing; artificial revegetation of denuded areas; damming of gullies; and the spreading of water from eroded gullies and washes to neighboring lands to make possible (a) stabilization and refilling of gullies and (b) an increase in the amount and density of erosion-resisting vegetation on lands thus provided with increased water supply; the introduction of improved methods of flood-water farming to make possible the existence of native populations who would be asked to reduce their livestock as an important measure of range rehabilitation; protection of selected areas being destroyed by bank-cutting of meandering waterways, and the protection of neighboring lands through planting of vegetation in the bottoms of destructive washes; contour furrowing; ridging or basin listing of certain areas; and the encouragement of grass and forest reproduction.

3. Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations. -- Operations under this project involve the maintenance of plant production nurseries for propagating and supplying the planting materials, such as seedlings, cuttings, vines, and seeds, required in various erosion-control conservation practices. The millions of acres of eroded, unprofitable farm and range lands, together with the fact that the use of vegetative materials constitutes the most effective means of controlling erosion and bringing such lands again into production, make the nursery work a fundamentally essential part of the soil conservation program. Not only are planting materials necessary in unprecedented quantities, but practically all classes of plants are required to meet the diverse climatic and soil conditions involved.

The problem is further complicated by the varied erosion problems, requiring plants suitable for special needs, such as gully control, channel lining, windbreaks, strip cropping, submarginal farms, range revegetation, etc., combined with different utility aspects, such as fence posts, firewood, game and livestock feed, and soil building. Also, the locations where the plantings are made, being generally devoid of good top soil, necessitate the use of much plant material not heretofore grown under cultivation and the initiation of correspondingly new propagation and cultural practices. To adequately meet these needs, all-round plant-production centers have been developed rather than nurseries

in the usually accepted term, where planting stock is produced in great variety and in large quantities.

An important part of the nursery work is the collection of native seeds for propagation on the nurseries and direct field planting, including, in the latter instance, large seed, such as nuts and acorns, but more especially native grasses for reseeding abandoned farms and depleted range lands. Additional seed is produced in quantity on the nurseries, consisting mainly of native grasses and other useful plants difficult and expensive to collect.

Experience having shown that one of the best means of improving soil conservation practices is through the utilization of better plant materials, constant effort is made to obtain more useful plants, which are assembled in the nurseries for observation and propagation in sufficient quantities for general conservation purposes. In this category are native grasses, legumes, shrubs, and vines brought into use through a better understanding of our wild plants, as well as introductions, such as kudzu, lespedeza, and other legumes and grasses, which have not yet become available to farmers and stockmen.

Containing composite plantings of the most suitable erosion control plants, the nurseries of the Soil Conservation Service are located so as to best serve the major centers of erosion control operations. Planting stock and seeds made available through these nurseries since the soil conservation work got well under way have averaged in total quantity approximately 250,000,000 plants and 2,500,000 pounds of seed annually. It is estimated that planting materials to be provided by the nurseries during the fiscal year 1940 will approximate these figures.

SUPPLEMENTAL FUNDS

Direct Allotments

Projects	Obligated, 1938	Estimated obligations, 1939
<u>Agricultural Adjustment Administration (Payments for Agricultural Adjustment):</u> Conservation surveys to determine the extent and distribution of erosion in Puerto Rico (In lieu of sugar tax funds).....	\$46,822	\$2,678
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture:</u> Administrative expenses in connection with the agricultural range conservation program.....	12,758	---
<u>Emergency Relief, Agriculture, Soil Conservation Service, Administrative expenses (transfer from W.P.A.):</u>		
General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies.....	44,342	10,052
Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.....	9,529	2,160
Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations.....	3,452	783
Total, Emergency Relief (Administrative expenses).....	57,323	12,995
<u>Emergency Relief, Agriculture, (transfer from W.P.A.):</u>		
General conservation surveys, soil and moisture conservation operations on demonstration projects, and cooperation with conservation districts, Civilian Conservation Corps, and other Federal and State agencies.....	1,652,164	790,585
Soil and moisture conservation operations on watersheds largely owned or controlled by the Government.....	17,808	---
Operation of erosion nurseries for the propagation of plants for use in soil and moisture conservation operations.....	84,469	129,107
Analyzing factors involving safety procedure.....	3,283	---
Flood control statistics.....	10,812	33,396
Water facilities statistics.....	---	3,600
Improvement and protection of Government-owned land.....	---	8,750
Total, Emergency Relief (General).....	1,768,536	965,438
Total, Supplemental Funds (Direct Allotments).....	1,885,439	981,111

(e) TOTAL, SOIL CONSERVATION SERVICE

Change in Language

It is recommended that the language of this paragraph be amended by substituting for the word "Total" the following:

"In all, salaries and expenses, to be accounted for as one fund"

For explanation of this change see general note under Office of Experiment Stations, page 54.

SUPPLEMENTAL FUNDS -- BUREAU TOTAL

1. Direct Allotments

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Conservation and Use of Agricultural Land Resources, Department of Agriculture:</u> Administrative expenses in connection with the agricultural range conservation program.....	\$12,758	---	---
<u>Agricultural Adjustment Administration (Payments for Agricultural Adjustment):</u> Conservation surveys to determine the extent and distribution of erosion in Puerto Rico (in lieu of sugar tax funds)..	46,822	\$2,678	----
<u>Special and Technical Investigations, International Joint Commission, United States and Great Britain (Transfer to Agriculture) (Bureau of Agricultural Engineering) (transferred to Soil Conservation Service):</u> Appraisal of results of increasing the height of groundwater table of lands adjacent to Kootenai Lake.....	1,500	1,200	1,500
<u>Flood Control, General (Transfer to Agriculture) (Soil Conservation Service):</u> Soil conservation operations in connection with national flood-control program.....	144,359	1,109,487	1,109,487

SUPPLEMENTAL FUNDS - BUREAU TOTAL - Continued.

1. Direct Allotments - Continued.

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Development of Water Facilities, Arid and Semiarid Areas, Department of Agriculture (Soil Conservation Service):</u> For development of water facilities in connection with soil conservation programs.....	-----	470,000	469,000
<u>Land Utilization and Retirement of Submarginal Lands (Soil Conservation Service):</u> Land utilization and submarginal-land retirement.....	1,406,326	11,710,071	3,809,500
<u>Emergency Relief Agriculture, Bureau of Agricultural Economics, Administrative Expenses (Transfer from W.P.A.) (Soil Conservation Service):</u> For administrative expenses in connection with land utilization projects.....	-----	235,000	-----
<u>Emergency Relief, Agriculture, Bureau of Agricultural Economics, (Transfer from W.P.A.), Soil Conservation Service:</u> Physical improvements involving buildings, parks, recreational facilities, public utilities, flood control, and other additions to land.....	\$507,837	\$5,154,805	-----
<u>Public Works Administration Act of 1938 (Allotment to Agriculture, Bureau of Agricultural Economics) (transferred to Soil Conservation Service):</u> Construction of dams for storage of water, roads, buildings, fences, power lines, and other improvements in connection with the land utilization program under Title III of the Farm Tenant Act.....	-----	3,960,400	-----
<u>Emergency Relief, Agriculture, Soil Conservation Service, Administrative Expenses (Transfer from W.P.A.):</u> Administrative expense in connection with a national program of soil conservation.....	110,913	52,000	-----

SUPPLEMENTAL FUNDS - Continued.

1. Direct Allotments - Continued.

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
<u>Emergency Relief, Agriculture, Soil Conservation Service, Public Buildings, Parks, Utilities, Flood Control, etc.</u> (Transfer from W.P.A.): For a national program of soil conservation.	2,320,449	1,243,750	----
<u>Emergency Relief, Agriculture (Soil Conservation Service);</u> For de- velopment of water facilities in con- nection with rural rehabilitation programs.....	----	4,822,420	----
Total, Supplemental Funds (Direct Allotments).....	4,550,964	28,761,811	5,389,487

SUPPLEMENTAL FUNDS - Continued

2. Indirect Allotments

Projects	Obligated, 1938	Estimated obligations, 1939
<u>Civilian Conservation Corps, 1938-1939 (allot- ment through War Department):</u> Work of Civilian Conservation Corps in connection with erosion-control and other soil conserva- tion projects.....	\$11,685,062	\$9,875,790

PASSENGER-CARRYING VEHICLES

The authorization for the purchase of passenger carrying vehicles in the Soil Conservation Service for the fiscal year 1940 contemplates the expenditure of the same amount (\$100,000) as is authorized in 1939. This amount will permit the needed replace-

ment of 205 cars at a net average cost of \$488 each, when exchange allowances are taken into account. No increase in the net number of cars available is contemplated. On the contrary, there will be a reduction of 11 in the number of cars contemplated under this estimate.

The authority requested is necessary because the cars to be replaced have been operated over exceedingly rough country roads, or have developed serious mechanical defects, so that their continued operation during the fiscal year 1940 would prove uneconomical and possibly unsafe. The average mileage as of June 30, 1939 of the cars to be replaced is estimated to be approximately 50,000 miles. In the experience of the Bureau, cars cannot be operated efficiently or economically beyond this mileage. Therefore, it is distinctly to the best interest of the work to turn them in during the fiscal year 1940, as provided for herein.

The use of passenger-carrying vehicles is practically indispensable for the proper conduct of the Bureau's varied activities throughout the country. The replacements contemplated in these estimates are needed to carry on the necessary work of the Service in connection with its Operations and Research programs, and unless these replacements can be made employees will either have to use common carriers or personally-owned automobiles. The common carrier is not well suited to this work, as the work is generally performed in areas where public transportation is inadequate. The use of personally-owned cars, by reimbursement, is not economical where extensive and continuous operation is involved, such as is true in this work.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES,
DEPARTMENT OF AGRICULTURE

This appropriation is provided for the purpose of carrying into effect sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended, approved February 29, 1936, (16 U.S.C., 590g-590q), and the provisions of the Agricultural Adjustment Act of 1938, as amended, approved April 7, 1938 (52 Stat., 31-70).

	Appropriation Act <u>1939</u>	Budget Estimate <u>1940</u>	Increase or <u>Decrease</u>
Direct appropriation	\$345,000,000	\$415,000,000	+\$70,000,000
Reappropriation	(a) <u>155,000,000</u>	(b) <u>70,000,000</u>	<u>-85,000,000</u>
Total	500,000,000	485,000,000	-15,000,000

(a) The reappropriation of \$155,000,000 for 1939 consisted of:

1. The unobligated balance of the appropriation made by the Supplemental Appropriation Act, fiscal year 1936, under the head "Payments for Agricultural Adjustment" (49 Stat. 1116). . . \$ 39,000,000
2. The unobligated balance of the appropriation made by section 12(a), title I, of the Agricultural Adjustment Act of May 12, 1933 (7 U.S.C. 612) 71,000,000
3. The unobligated balance of the appropriation made by section 2 of the Independent Offices Appropriation Act, 1937, approved March 19, 1936 (49 Stat. 1183) 45,000,000
- Total reappropriated, 1939 155,000,000

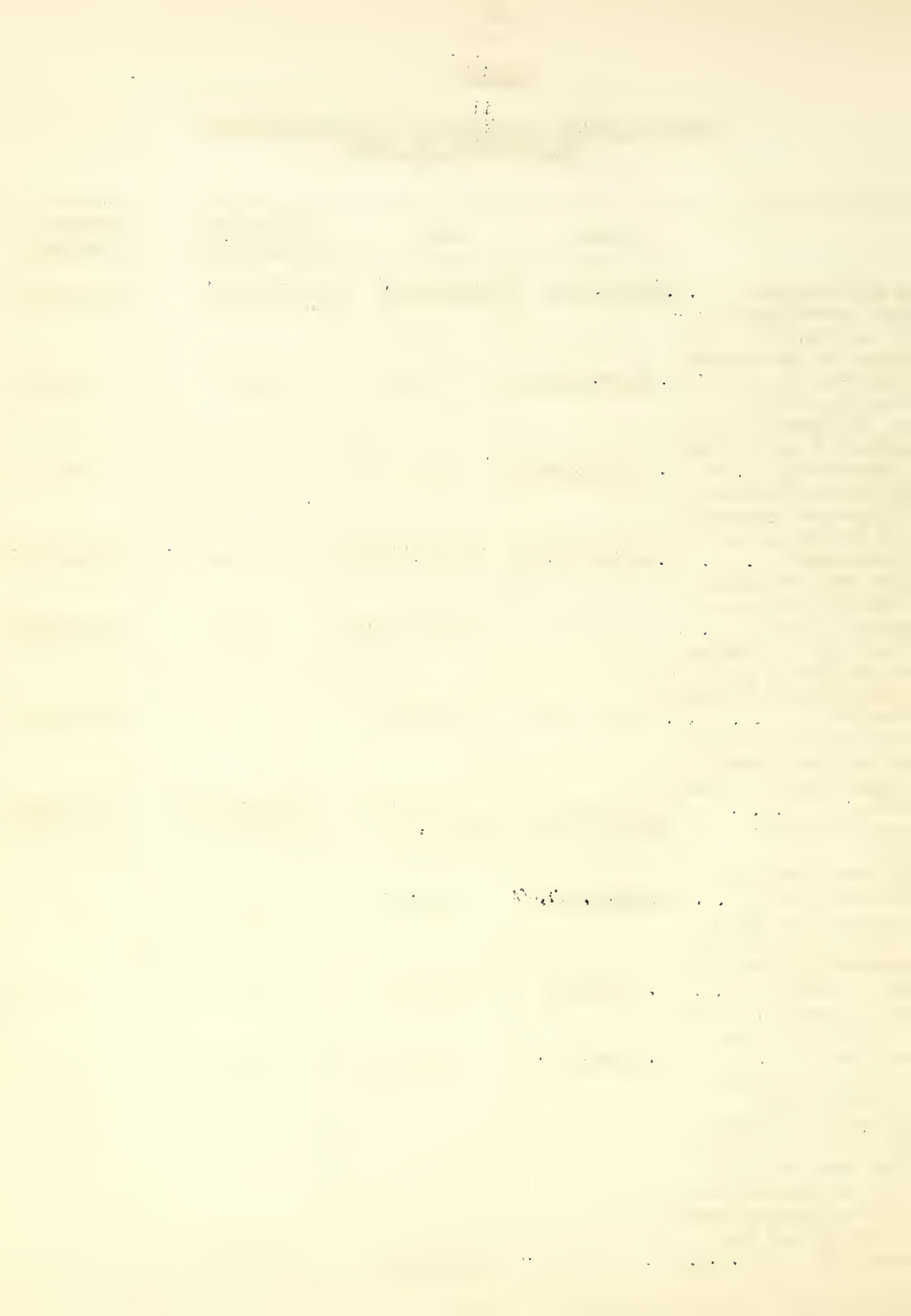
(b) The reappropriation of \$70,000,000 for 1939 consists of the unobligated balance of the funds appropriated for the fiscal year 1938 under "Conservation and Use of Agricultural Land Resources, Department of Agriculture".

The foregoing is set forth in tabular form in Table I, which follows:

TABLE I

Source of funds available for 1938 and 1939 and
as estimated for 1940

	1938	1939	Budget esti- mate, 1940	Increase or Decrease
Direct appropriation . .	\$340,000,000	\$345,000,000	\$415,000,000	\$70,000,000
Provided from "Exporta- tion and Domestic Con- sumption of Agricultur- al Commodities, 1937".	92,978,552(a)	---	---	---
Provided from "Exporta- tion and Domestic Con- sumption of Agricultur- al Commodities, 1938".	17,021,448(a)	---	---	---
Provided from "Salaries and Expenses, Agricul- tural Adjustment Ad- ministration"	50,000,000(a)	71,000,000(b)	---	-71,000,000
Provided from "Payments for Agricultural Ad- justment" (1936)	---	39,000,000(c)	---	-39,000,000
Provided from "Conserva- tion and Use of Agri- cultural Land Resources, 1936-1937"	---	45,000,000	---	-45,000,000
Provided from "Conserva- tion and Use of Agri- cultural Land Resources, 1938"	---	---	70,000,000(e)	70,000,000
Total available . .	500,000,000	500,000,000	485,000,000	-15,000,000
<u>Deduct:</u>				
Funds made available but not used	-70,000,000	---	---	---
Transferred to "Ad- ministration of Agri- cultural Adjustment Act of 1938"	-1,000,000	---	---	---
Reappropriated to Federal Crop Insurance Cor- poration	-25,500,000	---	---	---
Transferred, pursuant to Section 202, Agricultural Adjust- ment Act of 1938 to "New Uses and Mar- kets for Farm Commo- dities, Regional Lab- oratories and sur- veys" (d)	---	-4,000,000	-4,000,000	---



	1938	1939	Budget estimate, 1940	Increase or Decrease
Transferred, pursuant to Section 201, Agricultural Adjustment Act of 1938, to "Adjustments in Freight Rates for Farm Products" (d) .	---	-\$78,500	-\$114,500	-\$36,000
Unobligated balance . .	-\$70,000,000 (e)	---	---	---
Total obligated, Conservation Program .	333,500,000	495,921,500	480,885,500	-15,036,000

(a) Of the \$160,000,000 comprised in these three amounts, which were provided in 1938 to supplement the direct appropriation of \$340,000,000, only \$90,000,000 was actually transferred, as needed, from "Exportation and Domestic Consumption of Agricultural Commodities, 1937". The balance of \$2,978,552 from this 1937 appropriation reverted to the Treasury. The balance of \$17,021,448 made available from "Exportation and Domestic Consumption of Agricultural Commodities, 1938" was not transferred but was used in the administration of the program for which the money was originally appropriated.

(b) The \$50,000,000 made available in 1938 from "Salaries and Expenses, Agricultural Adjustment Administration", was not transferred in that year but was included in the amount of \$71,000,000 made available to supplement the 1939 direct appropriation.

(c) This \$39,000,000 made available to supplement the 1939 direct appropriation, represents the estimated unobligated balance of the continuing appropriation "Payments for Agricultural Adjustment" (1936).

(d) See separate schedules and explanatory notes under this item, which follow, covering Regional Laboratories and Adjustments in Freight Rates.

(e) The amount estimated to be made available in 1940 (\$70,000,000) represents the estimated unobligated balance of the 1938 appropriation "Conservation and Use of Agricultural Land Resources" after the transfer thereto of the \$90,000,000 as set forth in (a) above.

TABLE II

PROJECT STATEMENT

Item	1938	1939	1940	Increase or decrease
Payments to farmers for Conservation Practices under Sections 7-17, Act of Feb. 29, 1936. (a)	\$315,224,214	(a)\$456,765,208	(a)\$466,722,708	\$9,957,500
Purchase and Removal of Surplus Agricultural Commodities, Section 12, Act of Feb. 29, 1936	---	25,000,000	---	-25,000,000
AAA Administrative ex- pense, (D.C. and field)	15,132,959	12,442,962	12,442,962	---
Allotments and transfers to agencies cooper- ating and assisting in Agricultural Ad- justment Act of 1938 programs, as shown by schedule in 1940 Budget (p. 312) and in Committee Print under this head . . .	3,142,827	1,713,330	1,719,830	6,500
Total obligations, Conservation Pro- gram	333,500,000	495,921,500	480,885,500	15,036,000
Transferred to "Ad- ministration of Agri- cultural Adjustment Act of 1938"	1,000,000	---	---	---
Reappropriated to Feder- al Crop Insurance Cor- poration	25,500,000	---	---	---
Funds available but not used	70,000,000	---	---	---
For Regional Labora- tories	---	4,000,000	4,000,000	---
For Adjustments in Freight Rates	---	78,500	114,500	36,000
Unobligated balance . .	70,000,000	---	---	---
Total appropriation available	500,000,000	500,000,000	485,000,000	15,000,000

(a) Includes expenses of county associations and committees of farmers, 1938, \$26,692,310; 1939 (estimated), \$33,000,000; 1940 (estimated), \$33,000,000.

CHANGE IN LANGUAGE

The Budget contemplates changes in the language of this item as follows:

(1) To continue during the fiscal year 1940 the provision of the Second Deficiency Appropriation Act, fiscal year 1938, to enable the Secretary of Agriculture to expend not to exceed \$50,000 for the preparation and display of exhibits, including such displays at State, interstate, and international fairs within the United States.

(2) To eliminate reference to the funds reappropriated for the fiscal year 1939; and to substitute, in lieu thereof, authority to use during 1940 \$70,000,000 of the "unobligated balance of the appropriation made under this head by the Agricultural Appropriation Act for the fiscal year 1938".

(3) To change the applicable years as required.

(4) To eliminate reference to the \$100,000 made available in the 1939 Agricultural Appropriation Act for a survey to determine the location of regional research laboratories authorized by sections 202(a)-202(e) of the Agricultural Adjustment Act of 1938, for the reason that this work will be accomplished during the fiscal year 1939.

(5) To substitute "October 1" for "November 1" in limiting program compliance periods, since it will facilitate the administration of the agricultural conservation programs in some parts of the country where programs beginning October 1 and ending September 30 fit in better with farming operations than those starting and ending at a later date. The proposed change will also make it possible for payments to be made earlier in the year in such sections.

(6) To eliminate the proviso relating to the Cotton Price Adjustment Program, since this is merely a reference to the 1937 program and no new program is anticipated for the fiscal year 1940.

(7) To eliminate the proviso relating to the Naval Stores program, since this is permanent legislation.

WORK UNDER THIS APPROPRIATION

This appropriation is used for carrying into effect programs formulated under sections 7-17 of the Soil Conservation and Domestic Allotment Act as amended, and under the Agricultural Adjustment Act of 1938. The purposes of these programs as specified in Section 8 of the Soil Conservation and Domestic Allotment Act are (1) preservation and improvement of soil fertility; (2) promotion of the economic use and conservation of land; (3) diminution of exploitation and wasteful and unscientific use of national soil resources; (4) the protection of rivers and harbors against the results of soil erosion to aid in maintaining the navigability of waters and water courses and in flood control; and (5) reestablishment, at as rapid a rate as the Secretary of Agriculture determines to be

practicable and in the general public interest, of the ratio between the purchasing power of the net income per person on farms and that of the income per person not on farms that prevailed during the five-year period August 1909-July 1914, inclusive, as determined from statistics available in the United States Department of Agriculture, and the maintenance of such ratio.

In attaining these objectives the Act authorizes payments or grants of other aid to producers, including tenants and sharecroppers, measured by (1) their treatment or use of their land, or a part thereof, for soil restoration, soil conservation, or the prevention of erosion; (2) changes in the use of their land; (3) their equitable share, as determined by the Secretary, of the normal national production of any commodity or commodities required for domestic consumption; or (4) their equitable share, as determined by the Secretary, of the national production of any commodity or commodities required for domestic consumption and exports adjusted to reflect the extent to which their utilization of cropland on the farm conforms to farming practices which the Secretary determines will best effectuate the purposes specified in section 7(a); or (5) any combination of the above.

The funds provided by this appropriation are subject to allotment and transfer by the Secretary of Agriculture, pursuant to section 11 of the Soil Conservation and Domestic Allotment Act, approved February 29, 1936 (16 U.S.C. 590g-590q). Under this authority, as shown in the Budget schedules, allotments have been made to the Agricultural Adjustment Administration, which has been designated by the Secretary of Agriculture as the agency responsible for carrying into effect the provisions of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, and to a number of other bureaus within the Department of Agriculture and by transfer to other Government agencies which have been called upon in various ways to facilitate the agricultural conservation program and other related activities carried on in furtherance of these same general aims under the provisions of the Agricultural Adjustment Act of 1938.

The Agricultural Adjustment Administration, with its Washington and field organizations, is headed by an Administrator, who is responsible to the Secretary of Agriculture for all its activities.

For the administration of the agricultural conservation program, six regional divisions have been established, each under a director who is directly responsible for the administration of the program in the geographical area within his division. The regional headquarters offices are in Washington and each office with its necessary personnel forms a major division of the Administration with its headquarters setup.

The operation of the program in each State is accomplished through a State committee. The State committee is composed of not less than three nor more than five farmers who are legal residents of the State and who are appointed by the Secretary. The State director of the agricultural extension service is an ex officio member of the State committee. The State committees advise on general policy within the States, assist in

the formulation of programs, and recommend the specifications for soil-building practices to be included in the program for the State. They also hear appeals of individual farmers from the decision of the county committee, approve county administrative expenses, and otherwise assist in the administration of the program in the State.

Each State office is in charge of a State executive officer who, in some States, is the chairman of the State committee. The State executive officer administers the program within the State in keeping with the policy of the State committee and instructions from the regional director. With the aid of his office force he examines acreage allotments, yields, and other data, keeps on file material submitted by county committees and in most States has charge of personnel engaged in examining applications for payment and certifying them for payment. After applications have been certified for payment by the State offices they are forwarded to the General Accounting Office for preaudit and then sent to the disbursing office of the Treasury Department where checks for producers are made out and mailed. For the East Central and Northeast Regions the examining, preauditing, and disbursing activities are performed in Washington.

The programs administered in each county are administered through county agricultural conservation associations. Local farmers cooperating in the program constitute the membership of these associations. Within the counties there are varied numbers of community units of the county associations, depending upon the size of the county and the amount of participation in the agricultural conservation program. The members of the association residing in a community elect annually a community committee of not more than three members and a delegate to the county convention. Delegates to the county convention elect annually a county committee of not more than three members. The county committee is directly responsible for the administration of a program in a county. This committee selects a secretary and a treasurer and provides for the employment of necessary personnel. In many counties the county agricultural extension agent is selected as secretary to the county committee. In all other counties he serves ex officio as a member of the county committee. The community committees assist the county committee in carrying out educational work and establishing acreage allotments and normal yields for farms within their respective communities. There are about 100,000 community and county committeemen within the United States. These committeemen receive compensation from the county associations on a per diem basis when actually employed. The administrative expenses of the county associations are met largely through deductions from conservation payments made to members of the association.

In planning the agricultural conservation program the objectives of the Act and the type of program which could be developed under it are discussed with farmers at open meetings. Recommendations and suggestions of farmers and farm organization leaders who attend these meetings play an important part in determining the final content of the program.

1936 - 1937 Programs

Under the programs developed for 1936 and 1937 two general types of payment were made: (1) Class I, or diversion payments, for diverting land from soil-depleting crops to soil-conserving crops or uses and (2) Class II, or soil-building payments, for adopting improved farming practices and conservation measures on the farm. Class I, or diversion payments, were made in connection with cotton, tobacco, peanuts, rice, sugarcane, sugar beets, flax (1936 only), and a group of crops designated as general soil-depleting crops. This group of crops included corn, wheat, oats, barley, rye, flax (in 1937), grain sorghums, potatoes, vegetables, and a number of other soil-depleting crops. For each cooperating farm where these crops were grown the county committee established a base or normal acreage and a normal yield.

In the case of cotton, tobacco, peanuts, and general soil-depleting crops the farmer qualified for payments by reducing the acreage of these crops below the soil-depleting base established for the farm and making a corresponding increase in the acreage devoted to soil-conserving crops or uses. For example, in the case of cotton a farmer could qualify for a payment of 5 cents per pound of the normal per-acre yield of cotton for the farm for each acre of the cotton base acreage diverted from cotton to soil-conserving crops or uses up to 35 percent of the cotton base acreage. In the case of general soil-depleting crops the payment rate averaged about \$10 per acre for each acre diverted from general soil-depleting crops to soil-conserving crops, up to 15 percent of the general soil-depleting base acreage. Under the 1936 and 1937 programs diversion payments were made with respect to the following acreages diverted from cotton, tobacco, peanuts, and general soil-depleting crops to soil-conserving crops:

<u>Soil-depleting base</u>	<u>Acreage diverted</u> <u>(1,000 acres)</u>
	<u>1936</u> <u>1937</u>
Cotton - - - - -	9,479 7,846
Tobacco - - - - -	393 278
Peanuts - - - - -	134 92
General crops - - - - -	21,760 18,147
Total - - - - -	31,766 26,363

In the case of rice, flax, sugar beets, and sugarcane an acreage of soil-conserving crops or uses equal to not less than a specified percentage of the base acreage of that crop was required in order to qualify for payments, and payments were reduced if the acreage of these crops exceeded the base acreage established therefor.

The estimated amount of Class I, or diversion payments (including county association expenses deducted in whole or in part from these payments), made in connection with the several soil-depleting bases under the 1936 and 1937 programs, are as follows:

<u>Soil-depleting base</u>		<u>Estimated payments</u> <u>(millions of dollars)</u>
	<u>1936</u>	<u>1937 (Preliminary)</u>
Cotton - - - - -	86.9	68.7
Tobacco - - - - -	15.2	11.2
Peanuts - - - - -	1.3	.7
Rice - - - - -	2.6	2.8
Sugar beets- - - - -	2.5	3.0
Sugarcane - - - - -	.6	.7
Flax - - - - -	2.0	1/
General crops (corn, wheat, etc.)	202.3	128.8
Total, Class I	313.4	215.9

1/ Included in general crops in 1937.

Under the 1936 and 1937 programs Class I, or soil-building payments, were made to assist farmers in adopting soil-building practices such as the seeding of soil-conserving crops (legumes and grasses), growing green manure and cover crops, planting and maintaining forest trees, constructing terraces, liming soils so as to encourage the growing of soil-conserving crops, applying phosphate and in some cases other fertilizers to soil-conserving crops, and adopting wind and water erosion control measures such as contour farming, pit cultivation, stripcropping, trashy fallowing, etc.

The following tabulation shows the extent to which some of the more important soil-building practices were carried out on farms cooperating in the 1936 and 1937 programs:

	<u>1936</u>	<u>1937 (Preliminary)</u>
Seeding legumes and grasses (acres)-	30,300,000	29,072,000
Growing green manure and cover crops (acres) - - - - -	13,700,000	12,287,000
Planting forest trees (acres) - - - -	32,000	36,000
Applying liming materials:		
Acres - - - - -	2,200,000	-- --
Tons - - - - -	3,620,000	4,990,000
Applying phosphates (16% P ₂ O ₅ equivalent to soil-conserving crops):		
Acres - - - - -	1,011,000	-- --
Tons - - - - -	150,000	320,000
Constructing terraces:		
Acres - - - - -	729,000	-- --
1,000 feet- - - - -	146,000 1/	294,000
Improved summer fallowing (acres) - -	3,584,000	9,546,000
Other erosion control practices (acres)	1,281,000	6,823,000

1/ Estimated on basis of an average of 200 feet per acre.

It is estimated that Class II payments in connection with soil-building practices totaled \$58,700,000 under the 1936 program and \$79,000,000 under the 1937 program.

Payments have been made available also to assist ranch operators in adopting range-building practices designed to improve the stand of grass and prevent erosion on range lands of the West. The following tabulation shows the extent to which range-improving practices have been adopted on ranches cooperating in the 1936 and 1937 conservation programs under the Soil Conservation and Domestic Allotment Act:

	<u>1936</u>	<u>1937</u>
Development of stock water to improve distribution of grazing:		
Constructing earthen dams, tanks, and reservoirs (1,000 cu. yds.) - - - - -	5,230	31,383
Digging wells (1,000 linear feet) - - - - -	130	166
Developing springs or seeps (number)- - - - -	8,437	11,640
Reseeding range land:		
Natural reseeding by deferred grazing (1,000 acres) - - - - -	---	12,841
Natural reseeding by limited grazing (1,000 acres)- - - - -	---	2,365
Artificial reseeding (1,000 acres)- - - - -	37	81
Contour following (1,000 acres) - - - - -	12	60
Ridging range land (1,000 linear feet)- - - - -	---	19,957
Water spreading (1,000 linear feet) - - - - -	---	3,253
Constructing fences to improve distribution of grazing (1,000 rods) - - - - -	2,525	1,567
Rodent control (1,000 acres)- - - - -	136	3,583
Constructing fire guards (1,000 linear feet)	566	13,094
Other practices (1,000 acres) - - - - -	1	1,679

Payments under the range conservation program totaled approximately \$1,810,000 in 1936 and \$9,169,000 in 1937. Approximately 37,500 ranches containing about 155,000,000 acres of range land cooperated in the 1937 program. The 1936 range conservation program was not formulated until late in the year and was not applicable throughout the western range area. This largely accounts for the much smaller participation in the 1936 program than in the 1937 program.

The producers of turpentine and rosin have been assisted during 1936 and subsequent years in adopting improved turpentining practices designed to conserve the forest and soil resources of the naval-stores producing area. The conservation practices encouraged under the naval stores conservation program have included the cessation of working of small trees, limiting the height to which trees are worked, the adoption of improved chipping and streaking practices, and participation in fire prevention measures. Payments under the naval stores conservation program totaled \$466,000 in 1936 and \$359,000 in 1937.

Payments to farmers (including payments to county associations for local expenses) in connection with programs under the Soil Conservation and Domestic Allotment Act totaled approximately \$374,000,000

in 1936 and \$307,000,000 in 1937. Payments were made to approximately 3,880,000 producers (including landlords, tenants, and sharecroppers) in 1936 and 3,744,000 in 1937. Approximately 66 percent of the cropland in the United States was included in the farms cooperating in the 1936 program. The corresponding percentage for 1937 was 65 percent.

1938 - 1939 Programs

On the basis of experience in connection with the 1936 and 1937 agricultural conservation programs and in view of the provisions of the Agricultural Adjustment Act of 1938, the form of the conservation program was changed somewhat in 1938 and continued in this revised form for 1939. Under the 1938 agricultural conservation program acreage allotments were established for cotton, corn in the commercial corn area, wheat, rice, peanuts, and flue-cured, Burley, fire-cured and dark air-cured, cigar filler and binder, and Georgia-Florida Type 62 tobacco. An allotment was established also for general soil-depleting crops. Under the 1939 program the crops for which separate allotments are being established are the same as for 1938, except that special allotments are being established for commercial vegetables in designated commercial areas. Under the 1938 and 1939 programs payments in connection with soil-depleting crops are computed on the basis of the normal yield of the acreage allotments established for these crops. In order to receive the entire payments computed on the acreage allotments it is necessary for the producer to plant an acreage not in excess of these acreage allotments. If acreage allotments are exceeded, the payment for the farm is reduced at specified rates per acre or per pound, as the case may be.

Under the 1938 and 1939 programs payments are made also for the purpose of assisting producers in carrying out soil-building practices similar to those which producers were encouraged to adopt under the 1936 and 1937 programs.

Section 15 of the Soil Conservation and Domestic Allotment Act contains a formula which was effective for the first time in 1938 for apportioning funds available for payments among the several commodities in connection with which payments are made under the conservation program. Under this formula, four factors are taken into consideration, each factor being given equal weight. These factors are: (1) the average acreages planted to the various commodities for the ten-year period 1928 to 1937, including the acreage diverted from production under the agricultural adjustment and soil conservation programs; (2) the value of parity price of the production from the allotted acreages of the various commodities for the year with respect to which the payment is made; (3) the average acreage planted to the various commodities during the ten years 1928 to 1937, including the acreage diverted from production under the agricultural adjustment and soil conservation programs, in excess of the allotted acreage for the year with respect to which the payment is made; and (4) the value, based on average prices for the preceding ten years, of the production of the excess acreage determined under item (3).

Section 15 further provides that up to 5 percent of the funds appropriated may be allocated for payments with respect to range lands, noncrop pasture lands, and naval stores.

On the basis of the funds thus allocated to each commodity a rate of payment is established which, on the basis of estimated participation, will result in payments with respect to each commodity which equal the amount of funds allocated thereto. The next following tabulation shows the rates of payment established in connection with the 1938 and 1939 agricultural conservation programs.

Under Title III of the Agricultural Adjustment Act of 1938, provisions under which marketing quotas applied to crops of cotton and tobacco harvested in 1938 required expenditures to be made in setting and enforcing quotas, collecting penalty taxes on marketings in excess of allotments, as well as in connection with the holding of referenda for applying the quota provisions in the 1939-40 marketing year to crops produced in 1939. This activity will be continued at least on cotton in the 1940 fiscal year, although there will also be expense during the fiscal year for continuing work in refundments of excess taxes paid and for administration which may become necessary in conducting any future referenda required by terms of this title and in carrying out such quotas as may be established as a result of such referenda.

As a corollary to other activities of the Administration, exhibits have been set up at the thirty-five largest State fairs in thirty States. These exhibits, which give visual portrayal of the aims and accomplishments of the Conservation Program, have been found of great value in informing city people as well as farmers. These exhibits, seen by approximately 10,000,000 persons in the past year, are intended again to be shown at important fairs during the fiscal year 1940.

Comparison of rates of payment under the 1938
and 1939 Agricultural Conservation Program

Item	1938	1939
Cotton - per lb. - - - - -	2.4¢	2.0¢
Corn - per bu. - - - - -	10 ¢	9 ¢
Wheat - per bu. - - - - -	12 ¢	17 ¢
Potatoes, early - per bu. - - - - -	5.4¢	3 ¢
Potatoes, late - per bu. - - - - -	3.6¢	3 ¢
Peanuts - per ton - - - - -	\$4.00	\$3.00
Rice - per 100 lbs - - - - -	12.5¢	10 ¢
Tobacco - per lb.:		
Flue-cured - - - - -	1.0¢	0.8¢
Burley - - - - -	0.5¢	0.8¢
Dark - - - - -	1.53¢	1.4¢
Cigar filler and binder - - - - -	1.0¢	1.0¢
Georgia-Florida Type 62 - - - - -	1.8¢	1.5¢
Commercial vegetable Area A <u>1</u> / - per acre -	(\$1.50 <u>2</u> / (\$1.25 <u>3</u> /	\$1.50 70¢ <u>2</u> /
Commercial vegetables outside Area A-per acre	\$2.20 <u>2</u> /	(\$1.50 (70¢ <u>2</u> /
Commercial orchards - - - - -	\$2.00 <u>2</u> /	\$2.00 <u>2</u> /
General crops - Area A - per acre - - - -	\$1.25	\$1.10 <u>4</u> /
Soil-conserving crops, Area A - per acre-	50¢ <u>1</u> /	50¢ <u>2</u> /
General crops and soil-conserving crops outside Area A - per acre - - - - -	70¢ <u>1</u> /	70¢ <u>2</u> /
Restoration land - per acre - - - - -	50¢	50¢
Range and noncrop pasture - per animal unit	\$1.50 <u>5</u> /	\$1.50 <u>5</u> /

1/ Area A includes Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, Texas, and designated counties in northwestern Arkansas, eastern Montana, Wyoming, Colorado, and New Mexico, and central California.

2/ Payment to be earned by carrying out soil-building practices.

3/ Usual rate for general crops.

4/ On small farms (less than 20 acres of soil-depleting crops other than cotton) this payment may be earned by carrying out soil-building practices rather than meeting acreage allotment.

5/ This rate of \$1.50 per animal unit is an average rate for the United States. The procedure followed in computing the payment for individual farms or ranches varies somewhat by States and regions. In the mountain range States the payment is 3 cents per acre, plus 75 cents per animal unit of grazing capacity. In most of the Great Plains and North Central States the rate is 2 cents per acre plus \$1.00 per animal unit of grazing capacity. In the Southern and Eastern States the payment is computed at a flat rate per acre of pasture land eligible for payment. All payments computed in connection with range and noncrop pastureland are earned by carrying out soil-building and range-building

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

A. NEW USES AND MARKETS FOR FARM COMMODITIES, REGIONAL
LABORATORIES, AND SURVEYS

Appropriation Act, 1939..... \$4,000,000 (a)
Budget Estimate, 1940..... 4,000,000 (a)

(a) Allotment pursuant to Sec. 202(a) - (e) A. A. Act of 1938 (52 Stat. 31-70), from "Conservation and Use of Agricultural Land Resources, Department of Agriculture", provided by Agricultural Appropriation Act.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase or decrease
1. Northern regional laboratory.....	- -	\$950,000	\$960,000	+\$10,000
2. Eastern regional laboratory.....	- -	950,000	960,000	+10,000
3. Southern regional laboratory.....	- -	950,000	960,000	+10,000
4. Western regional laboratory.....	- -	950,000	960,000	+10,000
5. Surveys.....	- -	100,000	- -	- 100,000
6. General administrative expenses.....	- -	100,000	160,000	+60,000
Total appropriation....	- -	4,000,000	4,000,000	(1)

INCREASES OR DECREASES

(1) While there will be no increase in the total allotment for the regional laboratory activity, completion of the survey, to determine locations for the laboratories and scope of investigations, as authorized in the 1939 Agricultural Appropriation Act will release \$100,000 for allocation for the research program contemplated by the authorizing Act. This will permit 1940 allocations of \$960,000 for each regional laboratory and \$160,000 for the central planning, supervision, coordination and administration of the program in its entirety in Washington, including service and control functions, such as purchasing, auditing and accounting, personnel administration, etc. These will be essential as the construction activities and the planning and organizing of the research program get under way. The preparation of plans and specifications for the buildings will be completed and the contracts awarded before the end of the current fiscal year so that actual construction and equipping of the laboratories will be in full progress during the fiscal year 1940, with the probability that the laboratories will be completed and occupied before the end of that fiscal year.

WORK UNDER THIS APPROPRIATION

General. -- Under Section 202 of the Agricultural Adjustment Act of 1938, the Secretary of Agriculture was authorized to establish, equip, and maintain four regional research laboratories, one to be in each of the four major farm producing areas of the country. The research to be conducted at the new laboratories will attack, through science and technology, the problems of developing new uses and new and extended outlets and markets for the main surplus agricultural commodities in these four areas designated as the Northern, Eastern, Southern, and Western. This research will be carried on by Government experts in the many branches of science and technology who will cooperate with industries, institutions, and agricultural experiment stations. Plans and specifications for these laboratories are being prepared and construction on all four will be started before the end of the fiscal year 1939.

1. Northern Regional Laboratory, Peoria, Ill. -- In this laboratory, which serves the States of the Northern area, including Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Ohio, Nebraska, North and South Dakota, and Wisconsin, the commodities to be given primary consideration are corn, wheat, and agricultural wastes. Basic research on industrial fermentation, power alcohol, starch, oil, cellulose, and other constituents and derivatives of these commodities will be carried on, as well as investigations leading toward new uses and markets for these surplus commodities themselves.

2. Eastern Regional Laboratory, Philadelphia (area), Pa. -- Research work will be conducted by this laboratory on problems in the field of agriculture in the Eastern region, which includes the States of Connecticut, Delaware, Kentucky, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Tennessee, Vermont, Virginia, and West Virginia. The commodities to be given primary consideration in the Eastern area are tobacco, milk products, apples, white potatoes, and vegetables. Basic research on these commodities will deal with such constituents as starch, protein, and fruit and milk sugars, as well as studies looking toward the development of new uses and markets for the commodities themselves.

3. Southern Regional Laboratory, New Orleans, La. -- Research work will be conducted by this laboratory on problems in the field of agriculture in the Southern region, which includes the States of Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, South Carolina, and Texas. The first research projects will deal with the most important surplus commodities of the Southern region, which are cotton, sweetpotatoes, and peanuts. Basic research on the cotton fiber (lint) will be carried on toward extending its textile utilization and the opening of new industrial uses for cotton. Basic research on constituents of these commodities such as starch, cellulose, protein, and oil will be carried on, as well as studies looking toward the development of new uses and markets for the commodities themselves.

4. Western Regional Laboratory, San Francisco Bay Area. -- This laboratory will deal with agricultural problems of the Western region, which includes the States of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. The most important surplus commodities of the Western region are wheat, white potatoes, alfalfa, vegetables, fruits other than apples, and their processing wastes. Basic research on constituents common to these commodities, for example, starch, proteins, and biologics such as vitamins, plant hormones, enzymes, etc., will be carried on, as well as studies looking toward the development of new uses and markets for the surplus commodities themselves.

5. Surveys. -- In accordance with the provisions and authority contained in the 1939 Agriculture Appropriation Act, a Survey Committee, under the direction of the Secretary of Agriculture, was charged with and has conducted a survey of all research activities relating to the industrial utilization of agricultural products in the four regional areas to be served by the new research laboratories and reported its findings to the Department. This undertaking included a survey of the research projects of the Department of Agriculture and other Federal agencies, the State experiment stations, educational institutions, privately endowed research institutions, commercial consulting research laboratories, and the laboratories maintained by industries based wholly or in part on the utilization of agricultural raw materials. The Committee assembled facts bearing upon the suitability of many proposed laboratory locations and made a recommendation thereon to the Department. This recommendation was used in reaching a final decision in regard to the locations decided upon. The Committee also has in course of preparation, to be submitted early in the year, recommendations to the Department as to the scope of investigations to be undertaken in these laboratories, and as to ways in which the research recommended may be coordinated with other activities in the same field.

6. General Administration. -- This project covers the administrative and supervisory work necessary for the planning of the research programs, and the proper central supervision and coordination of the four regional research laboratories. It provides for salaries, supplies, travel, and other necessary expenses for the employees engaged in this administrative and supervisory work who are stationed at the Washington headquarters.

PASSENGER-CARRYING VEHICLES

It is estimated that four passenger-carrying automobiles will be required in the fiscal year 1940 in connection with the work of the four new regional laboratories. Section 202 (c) of the Act authorizes and directs the Secretary, in carrying forward this new activity, "to cooperate with other departments or agencies of the Federal Government, States, State agricultural experiment stations, and other State agencies and institutions, associations, universities, scientific societies, and individuals, upon such terms and conditions as he may prescribe." In the fiscal year 1940 it is expected that one automobile will be necessary at each of the new regional laboratories to enable the director and technical assistants to effectuate the contacts and cooperations authorized in Section 202 (c) of the Act quoted above. The cars to be purchased, of course, are subject to the limitation of \$750 maximum cost applicable to the Government as a whole.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES, DEPARTMENT OF AGRICULTURE

B. ADJUSTMENTS IN FREIGHT RATES FOR FARM PRODUCTS

Appropriation Act, 1939	\$78,500(a)
Budget Estimate, 1940	114,500(a)
Increase	<u>36,000</u>

(a) Allotment, pursuant to Sec. 201(a)-(d) Agricultural Adjustment Act of 1938 (52 Stat. 31-70) from "Conservation and Use of Agricultural Land Resources, Department of Agriculture", provided by Agricultural Appropriation Act.

PROJECT STATEMENT

Project	1939 (Estimated)	1940 (Estimated)	Increase
<u>Adjustments in freight rates for</u> <u>farm products</u>	\$78,500	\$114,500	+\$36,000(1)

(1) While no increased appropriation is involved, it is estimated that \$114,500 will be required in 1940 to finance on a full year basis the work required in investigations of freight rates and practices under Section 201 of the Agricultural Adjustment Act of 1938. This work has been inaugurated during recent months. The broader research aspects have been assigned to the Bureau of Agricultural Economics, the service and case investigations to the Division of Marketing and Marketing Agreements, and the legal work to the Office of the Solicitor.

WORK UNDER THIS APPROPRIATION

Section 201(a)-(d) of the Agricultural Adjustment Act of 1938 authorizes the Secretary of Agriculture to make complaint to the Interstate Commerce Commission with respect to rates and practices relating to the transportation of farm products, to investigate freight rates and practices affecting the public interest, and to make available to the Interstate Commerce Commission the cooperation, records, services, and facilities of the Department of Agriculture. This cooperation involves the gathering and presenting of basic data on the economic effects of existing or proposed rates on agriculture and other matters. It also authorizes the Secretary to assist cooperative associations of farmers making complaint, to appear as a party to a complaint, and to prosecute cases before the Commission.

The policy of Congress as outlined in this Act is to assist farmers to obtain, insofar as practicable, parity prices for commodities specified and parity income and to assist consumers to obtain an adequate and steady supply of such commodities at fair prices. One means of achieving parity of agriculture with other groups in the economy is to secure reductions in freight rates on farm products. This will have the effect of lessening the spread between farm prices and retail prices and thus yield benefit to both farmers and consumers.

The farmer's income is affected by the prices he pays for production and for living, as well as the prices he receives for his marketings. The prices he pays are influenced by the transportation charges on equipment and supplies used on the farm. Thus as producer and as consumer he has a vital interest in the level and structure of transportation rates.

Moreover, a study of transportation rates and charges must be concerned with the factors which affect them, namely, value of the service, efficiency and economy of operation, financial structure and policies, instability of the national economy, etc.

In order to achieve a proper balance in the national economy between farm prices and income, on the one hand, and on nonagricultural prices and income, on the other, the average level of freight rates must be as low as possible and must be flexible to conform to unsettling conditions arising from business cycle fluctuations, shifts in the foreign trade, uncertain growing conditions, and other factors largely beyond the control of farmers. It seems clear that the Department's study should be concerned with both the short-term and long-run aspects of transportation, with the definite objective of formulating policies designed to integrate more satisfactorily transportation rates and charges into the needs not only of agriculture but of the entire economic organization.

Certain facts are known but their effect upon the economy has not been analyzed or measured adequately. For example, certain rates have been raised and others lowered in recent years but there is no exact information as to their effects upon prices, income, land values, location of producing areas, channels of trade, etc.

CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES,
DEPARTMENT OF AGRICULTURE

C. ADMINISTRATION OF AGRICULTURAL ADJUSTMENT ACT OF 1938

Section 391 (b) of the Agricultural Adjustment Act of 1938 (52 Stat. 31-70), approved February 16, 1938, authorized to be made available for the fiscal year 1938, from the funds appropriated for 1938 for carrying out the purposes of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act, as amended ("Conservation and Use of Agricultural Land Resources, Department of Agriculture"), a sum not to exceed \$5,000,000 for the administration of the Agricultural Adjustment Act of 1938, including the provisions of title V of the latter Act relating to crop insurance.

This amount was authorized to carry out the new provisions of the Agricultural Adjustment Act of 1938 not provided for in the appropriation for carrying out the purposes of sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act.

Of the \$5,000,000 authorized, \$1,000,000 was obligated in the fiscal year 1938 as follows:

Federal Crop Insurance Corporation.....	\$681,353
Agricultural Adjustment Administration.....	287,874
Office of Solicitor.....	19,129
Office of Experiment Stations.....	115
Bureau of Agricultural Chemistry and Engineering.....	11,529
	<u>1,000,000</u>

PRICE ADJUSTMENT ACT OF 1938

Appropriation, 1939 (Work Relief and Public Works Appropriation Act of 1938)	\$212,000,000(a)
Budget Estimate, 1940	---
Decrease	<u>212,000,000</u>

(a) This appropriation was authorized by Sec. 303 of the Agricultural Adjustment Act of 1938; it was specifically provided by Sec. 501 of the Work Relief and Public Works Appropriation Act of 1938 and made available thereby until expended.

PROJECT STATEMENT

Project	1938	1939	1940 (Estimated)	Decrease
Administration of Price Adjustment Act of 1938, Department of Agriculture	---	\$212,000,000	---	-\$212,000,000 (1)

DECREASE

(1) There is a reduction of \$212,000,000 in this item for 1940, owing to the fact that these Estimates carry no new money for parity payments to farmers for the fiscal year 1940.

As indicated by the Price Adjustment Act of 1938, however, the \$212,000,000 appropriation therein provided for the fiscal year 1939 is made available until expended. The 1940 Budget schedules show this entire amount estimated to be obligated during the fiscal years 1939 and 1940 under the following items:

Item	Estimated obligations, 1939	Estimated obligations, 1940
Allotted to Agricultural Adjustment Administration:		
Parity payments	\$45,000,000 (a)	\$163,500,000(a)
Administrative expenses, D. C. and field	1,400,000	1,609,000
Allotments and transfers to agencies cooperating and assisting in Agricultural Adjustment Administration programs as shown in schedule in 1940 Budget (p. 314) and in Committee Print under this head	---	491,000
Total obligations	<u>46,400,000</u>	<u>165,600,000</u>

(a) Includes expenses of county associations and committees of farmers 1939 (estimated) \$1,475,000; 1940 (estimated) \$1,500,000.

WORK UNDER THIS APPROPRIATION

The Price Adjustment Act of 1938 (Section 501, Title V, of the Work Relief and Public Works Appropriation Act of 1938 - 16 U.S.C. 590g-590q, 52 Stat. 31-70, 819-820) appropriated, to be available until expended, the sum of \$212,000,000 to enable the Secretary of Agriculture to make parity payments to producers of wheat, cotton, corn (in the commercial corn-producing area), rice, and tobacco for sale during the marketing year ended January 31, 1939, pursuant to the provisions of section 303 of the Agricultural Adjustment Act of 1938.

The Act requires that one-half of this sum shall be apportioned among such commodities in accordance with the provisions of section 303 of the Agricultural Adjustment Act of 1938, and one-half apportioned among such commodities in the same proportion that funds available for sections 7 to 17, inclusive, of the Soil Conservation and Domestic Allotment Act would be allocated to such commodities in connection with the 1939 Agricultural Conservation Program on the basis of standards set forth in section 104 of the Agricultural Adjustment Act of 1938.

Payments with respect to any commodity will be made upon the normal yield of the farm acreage allotment established for the commodity under the 1939 agricultural conservation program and will be made with respect to a farm only in the event that the acreage planted to the commodity for harvest on the farm in 1939 is not in excess of the farm acreage allotment established for the commodity under the program.

The rate of payment with respect to any commodity will not exceed the amount by which the average farm price of the commodity is less than 75 percent of the parity price.

THE SUGAR ACT OF 1937

Appropriation Act, 1939	\$48,000,000
Budget Estimate, 1940	32,000,000 (a)
Decrease	<u>16,000,000</u>

- (a) Together with \$16,000,000 of the unobligated balance of the appropriation provided under this head by Public Res. 78, 75th Congress (52 Stat. 27), approved Feb. 4, 1938.

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Decrease
Administration of Sugar Act of 1937, including conditional payments to sugar growers	\$24,000,000	\$48,000,000	\$48,000,000	
Unobligated balance (reappropriated in 1940) . . .	+16,000,000	---	-16,000,000	-16,000,000(1)
Total appropriation . .	40,000,000	48,000,000	32,000,000	-16,000,000(1)

DECREASE

(1) While this is an apparent reduction of \$16,000,000 below the 1939 appropriation, since an unobligated balance of \$16,000,000 from the 1938 appropriation is made available for administering the Sugar Act in 1940, there is actually no change in working funds.

CHANGE IN LANGUAGE

Incidental to the Budget proposal to use \$16,000,000 from the unobligated balance of the appropriation provided by the Joint Resolution of February 4, 1938, for the administration of the Sugar Act, appropriate change has been made in the language of this paragraph.

WORK UNDER THIS APPROPRIATION

This appropriation is used for the carrying into effect the provisions of the Sugar Act of 1937, approved September 1, 1937 (50 Stat. 903-916), which has for its objects:

- (1) The establishment of quotas and allotments regulating the supply of sugar available for marketing in the continental United States from all sugar-producing areas supplying the United States market.

(2) The making of conditional payments with respect to sugar or liquid sugar commercially recoverable from sugar beets or sugarcane grown on farms for the extraction of sugar or liquid sugar conditioned upon (a) the elimination of child labor; (b) payment of fair and equitable wages to field laborers; (c) adjustment of the production of sugar beets and sugarcane on each farm to the amount required to provide that farm's proportionate share of the corresponding sugar market quota; (d) in the case of processor-growers, the payment to other growers from whom they purchase sugar beets and sugarcane of fair and reasonable prices for such **sugar beets and sugarcane**; and (e) the carrying out of approved farming practices for preserving and improving the fertility of the soil **and for preventing soil erosion.**

(3) The making of surveys and investigations to accomplish the purposes of the Act and also the making of recommendations in accordance therewith with respect to the terms and conditions of contracts between the producers and processors of sugar beets and sugar cane and the terms and conditions of contracts between laborers and producers of sugar beets and sugarcane.

The Sugar Division has been designated by the Secretary of Agriculture as the agency responsible for carrying into effect the provisions of the Act.

Section 502(a) of the Sugar Act of 1937 authorizes an appropriation of not to exceed \$55,000,000 for each fiscal year for carrying out the purposes of this Act and for its administration. The funds provided thereunder are subject to allotment and transfer by the Secretary of Agriculture pursuant to Section 502(b) of the Act. Under this authority, allotments as shown in the Budget have been made to the Sugar Division and to other Government agencies which have been called upon to facilitate the sugar program.

Tax Receipts

The expenditures necessary for implementing the sugar program are offset by receipts collected by the Bureau of Internal Revenue arising out of the sugar tax, amounting to \$30,569,130 in 1938 ^{1/} and estimated at \$61,700,000 for 1939 and at \$62,200,000 for 1940, as shown by statement No. 1, the 1940 Budget, page A-4.

^{1/} Nine months only: Fiscal year 1938 collections include only taxes on that part of the sugar marketed for consumption between September 1, 1937 and May 31, 1938, which was manufactured subsequent to September 1, 1937, the date of approval of the Sugar Act of 1937.

EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL
COMMODITIES, DEPARTMENT OF AGRICULTURE
 (Section 32, Act of August 24, 1935)

Appropriation, 1939	\$ 144,024,893
Budget Estimate, 1940	90,000,000
Decrease	54,024,893

This is a permanent appropriation made by Section 32 of the Act approved August 24, 1935 (7 U.S.C. 612c), which makes available for the purposes of that section each fiscal year an amount equal to 30 percent of the customs receipts of the preceding calendar year. The estimate for 1940, therefore, is based upon the customs receipts of the calendar year 1938.

PROJECT STATEMENT

Item	1938	1939 (Estimated)	1940 (Estimated)	Increase or Decrease
Programs to encourage exportation and domestic consumption of agricultural products by diversion of commodities and products thereof	\$9,460,616	\$11,927,332	\$18,183,389	+\$6,256,057 (1)
Purchase, removal and distribution for relief of surplus agricultural commodities	44,809,138	64,535,000	69,535,000	+5,000,000 (1)
Payments for Cotton Price Adjustment pursuant to Third Deficiency Act, fiscal year 1937	65,000,000(2)	65,000,000(2)	---	-65,000,000 (1)
Administrative expenses (D.C. and Field) including expenses of agencies cooperating and assisting in the programs, as shown in 1940 Budget (pp.315, 323) and in Committee Print under this head.	1,817,299	2,562,561	2,281,611	-280,950 (1)
Unobligated balance ...	4,010,161	---	---	---
Total appropriation available	125,097,214	144,024,893	90,000,000	-54,024,893 (1)

INCREASES AND DECREASES

(1) Despite the decrease of \$54,024,893 in this appropriation caused by the decrease in customs receipts during 1938, \$11,256,057 additional is available for 1940 for carrying into effect the programs contemplated under this title. A decrease of \$65,230,950, made up by completion of transfers for carrying into effect the provisions of the Cotton Price Adjustment Payments, under authority of the Third Deficiency Appropriation Act of 1937, and by decrease in administrative expenses due to the completion of most of the work in connection with these payments, makes available the greater sum in the fiscal year 1940 for exportation and diversion, as well as surplus purchase and removal from normal trade channels, despite the reduction in total available appropriation.

(2) Includes payments for expenses of county associations and committees of farmers, 1938, \$527,530; 1939 (estimated), \$1,025,000.

Up to January 1, 1939, programs have been approved involving estimated obligations of \$65,838,650 during the fiscal year 1939, of which \$59,134,900 has been obligated by the Federal Surplus Commodities Corporation for the purchase of surplus commodities under Agricultural Adjustment Administration programs and then distributed to relief agencies. These programs, including the direct expenditures of the Agricultural Adjustment Administration and the funds transferred to the Corporation, involve the diversion to byproducts of cotton products, peanuts, walnuts, dried and fresh fruits, miscellaneous vegetables and tobacco; encouragement of the exportation of wheat, flour, tobacco, and nuts; and the purchase for donations to relief agencies of dairy and poultry products, miscellaneous fruits, vegetables, grain, and cotton products.

WORK UNDER THIS APPROPRIATION

Under this appropriation programs have been formulated (1) to encourage the exportation of agricultural commodities and products thereof by the payment of benefits in connection with the exportation thereof or of indemnities for losses incurred in connection with such exportation or by payments to producers in connection with the production of that part of any agricultural commodity required for domestic consumption; (2) to encourage the domestic consumption of such commodities or byproducts by diverting them, through the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce; and (3) to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption.

The Division of Marketing and Marketing Agreements, which administers the surplus removal activities of the Agricultural Adjustment Administration, analyzes the economic situation of the various commodities, and on the basis thereof, prescribes conditions of purchase which are recommended to the Secretary of Agriculture. Upon his approval of these recommendations, directions for carrying out the program are given to the Federal Surplus Commodities Corporation.

Whereas the Division of Marketing and Marketing Agreements functions as a planning agency in the purchase of commodities, the Corporation acts as a purely operating unit to effect the purchase and distribution of the commodities in the manner prescribed by the Secretary of Agriculture.

Unregulated competitive shipment of certain agricultural products such as fruits, vegetables, nuts, milk, and truck crops means that oversupplies follow scarcities on the same market from day to day. When the market is oversupplied prices drop to the point at which the grower may not obtain a return sufficient even to pay his marketing costs, let alone his producing cost. The glut may be so great that the goods cannot be sold even at ruinously low prices and are completely wasted.

Too small a supply, on the other hand, brings a wide swing and a sudden and unreasonable increase in the prices the consumer pays. This tends to discourage consumer demand for the products concerned. In the long run the consumer who is assured of a steady supply of farm goods at uniform prices is better off than if he profits temporarily by low prices that injure producers and then has to pay extremely high prices when the supply is inadequate.

Marketing costs are relatively inflexible. Packaging, freight, and similar charges are about the same, per unit of produce marketed, regardless of the price that the produce brings. When the price falls too low the grower has little or nothing remaining when the marketing costs are paid. When prices are too high the consumer is unable to purchase the same volume of goods that he would purchase if prices were reasonable.

Stabilizing supplies and prices at a balanced level benefits both grower and consumer and prevents waste of the product. This stabilization through adjustment of shipments to market demand has been the principal objective of marketing programs undertaken through cooperative group action by producers over a period of more than twenty years. Experience has demonstrated that with proper adjustment of shipments to demand it is possible to market a greater quantity of a given product over a marketing season at a price fair to consumers yet more remunerative to growers than if the crop were dumped on the market without regulation and without regard to what the market can take at a given time.

Stabilizing supplies and prices and avoiding waste by balancing shipments to demand has been the fundamental principle of marketing programs carried on by the Agricultural Adjustment Administration.

In recent years it has been demonstrated that for certain agricultural industries market expansion and surplus removal programs are the most practical means of supplementing the efforts of producers and their marketing organizations to prevent excess supplies of farm products from leading to farm-price collapses, waste of supplies, and eventually to unemployment in the cities.

In order to utilize surpluses of farm products and yet dispose of them in such manner that disastrous farm-price reductions would be avoided, agricultural legislation enacted since March, 1933, has vested in the Secretary of Agriculture powers for bringing about the "expansion of markets and removal of surplus agricultural products".

Three types of surplus removal programs have been in effect: (1) those for encouraging increased domestic and export demand for farm products; (2) those for diverting such commodities into new, or byproduct, or low-value uses; and (3) those for diverting such products from normal trade channels by purchasing them for relief distribution.

One of the most important surplus diversion programs for encouraging increased domestic and export demand was the 1935 cotton price adjustment plan put into effect in August, 1935, which continued throughout 1938.

Another important export encouragement operation is the program to export 100 million bushels of wheat in the form of grain and flour, being conducted by the Secretary of Agriculture during the fiscal year 1939. The Federal Surplus Commodities Corporation, at the direction of the Secretary of Agriculture, has been purchasing exportable grades of wheat at domestic prices and selling to exporters for shipment to foreign markets at world prices. At the same time the Secretary of Agriculture has entered into agreements with millers to encourage the exportation of wheat in the form of flour by paying an indemnity corresponding to the difference between domestic and foreign flour prices for sales abroad. At the present time this program is being conducted in part with funds made available pursuant to Section 32 of the Act of August 24, 1935, and in part by section 12 of the Soil Conservation and Domestic Allotment Act.

Other programs have been formulated to encourage the exportation of agricultural commodities under the provisions of Section 32, and a number of programs have been considered in addition to those which were put into effect. In many instances a careful analysis of the proposals in conference with their proponents indicated that export subsidies would not be effective in regaining lost foreign markets or expanding existing or new ones, and that in some instances such subsidies might seriously endanger existing foreign outlets, some of which have been expanding as a result of the trade agreement program.

Programs for removing surpluses by finding and developing new foreign and domestic outlets and uses have been operated for the most part through agreements between agricultural groups and the Secretary of Agriculture. Under these agreements the agricultural groups have been authorized to acquire specified quantities of surplus commodities at stipulated prices and to divert those supplies to new outlets or uses. The difference between the cost of the commodity to the agricultural group, plus incidental handling costs, and the selling price for diversion uses has been paid from Section 32 funds.

Surplus diversion programs of this type which have been in operation, in addition to the wheat and flour program already referred to, include the exportation of dark types of tobacco to the European

countries; and the diversion of tobacco into nicotine, cotton products into experimental uses and road building materials, potatoes into starch and livestock feed, and peanuts into oil. Such programs have also been in operation for pears, prunes, dates, raisins, pecans, walnuts, apples, hops, and sweetpotatoes.

In some instances, particularly those involving perishable agricultural commodities in which emergency conditions have developed suddenly, it was found that the above-mentioned methods of encouraging domestic consumption by the payment of indemnities were not well adapted to the problems involved. In such cases it has been found feasible to remove surpluses through direct purchases by the Government for relief distribution. In these instances the Secretary of Agriculture directs the Federal Surplus Commodities Corporation to procure the commodity pursuant to the authority given him by the Act of June 28, 1937 (7 U. S. C. 612c). In this manner a wide variety of surplus products, including fruit, vegetables, grains, eggs, dairy products, and cotton goods, have been rapidly removed from the normal channels of trade and commerce.

Experience in handling special problems of rapid procurement and distribution has enabled the Federal Surplus Commodities Corporation to deal effectively with perishable commodities and emergency conditions. Careful planning of operations and constant simplification of procedures and organization have overcome hampering technicalities and difficulties. The Corporation has functioned as a complete operating and administrative unit, under the direction of the Secretary, in procuring surplus commodities, arranging for their immediate transportation and distribution to the States on a carlot basis or for their processing when necessary, and in providing for auditing, accounting, and paying expenses.

The principal objective of the surplus removal programs involving purchases for relief use has been to carry benefits directly to producers. Various methods of procurement have been employed by the Corporation in order to obtain the most effective results.

In recent programs, for example, it has been found most effective for the purposes in view to purchase butter and eggs on the produce exchanges; to purchase grapefruit and other fruits and vegetables at country shipping point, f.o.b. cars, buying from shippers at a specified price per unit, with the requirement that the producer receive so much per unit; and to purchase certain miscellaneous products, such as sugar-cane sirup, directly from producers. Dry skim milk and cheese have, on the other hand, been bought on the basis of competitive bids submitted in accordance with usual governmental practice. The nature of the commodity and the established marketing machinery, the competitive situation in the industry, the inventory position of handlers at a particular time, the extent of organization among producers, and other factors, all have been considered in determining the procedure of procurement to be followed.

The procedure best adapted to a particular objective, such as the removal of price-depressing surpluses or the diversion of particular quantities or qualities of products, has been found less expensive to the Government when measured in terms of the total cost of the program than were procedures based upon the traditional exclusive use of competitive bids.

Timeliness has been essential in many of these programs, as has reasonable promptness in making payments. In some instances it has been found much cheaper to prevent demoralization of a market by timely and substantial purchases than to attempt improvement after a decline has occurred. Prompt payments have been necessary in order to avoid dissatisfaction among producers and handlers or even loss of confidence in the entire program.

Because of the highly perishable nature of most of the commodities obtained in connection with surplus removal programs, it has been necessary for the products to move quickly, directly, and in carlots from the point of procurement to the point of distribution. State relief agencies have had to take immediate possession of the commodities and distribute them to the needy and unemployed on relief rolls expeditiously. Methods have been developed to reduce inventory and spoilage losses to a minimum.

Surplus farm products purchased by the Corporation have come from every important producing area in the United States and have been distributed for relief use in all the States.

RETIREMENT OF COTTON POOL PARTICIPATION TRUST CERTIFICATES

Appropriation Act, 1939	\$1,800,000
Budget Estimate, 1940	---
Decrease	<u>1,800,000</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Decrease
Retirement of cotton pool participation trust certificates .	---	\$1,610,000	---	-\$1,610,000
Administrative expense	---	170,400	---	-170,400
Transfers to cooperating agencies, including Division of Disbursement, and Treasurer of U. S. .	---	19,600	---	-19,600
Total appropriation . . .	---	1,800,000	---	-1,800,000 (1)

DECREASE

(1) This estimate provides for the elimination of the non-recurring item of \$1,800,000 appropriation contained in the Agricultural Appropriation Act, 1939, for carrying into effect the provisions of Title IV of the Agricultural Adjustment Act of 1938, relating to retirement of cotton pool participation trust certificates. It is expected that payments hereunder will be completed during the current fiscal year.

WORK DONE UNDER THIS APPROPRIATION

This appropriation is being used to purchase, take up, and cancel pool participation trust certificates, Form C-5-I, where such certificates were tendered through December 31, 1938, by the lawful holders and owners thereof, of record on May 1, 1937, at the rate of one dollar per 500-pound bale for every bale or fractional part thereof represented by the certificates.

INTERNATIONAL PRODUCTION CONTROL COMMITTEES

This item continues during the fiscal year 1940 the authority contained in the 1939 Agricultural Appropriation Act enabling the Secretary of Agriculture to utilize funds available for Agricultural Adjustment to cover the cost of United States membership in the International Wheat Advisory Committee or like events or bodies concerned with the reduction of agricultural surpluses, etc., and to provide for travel and incidental expenses in connection with such participation. The amount authorized for this purpose in 1939 (\$17,500) remains unchanged in the 1940 Estimates.

Funds appropriated for effectuating the aims of crop control programs, conservation programs, and encouragement of exports have been made available, since the fiscal year 1935, for the payment of expenses of International Production Control Committees through a limitation heading bearing that title which has been contained in the Department of Agriculture appropriation bill.

Since that time expenses of representatives of the United States Department of Agriculture attending sessions of the International Wheat Advisory Committee have been paid under the authority contained in this limitation. Since the fiscal year 1938, expenses have also been paid on account of the International Sugar Council. In addition, this limitation has covered the reimbursement of the State Department for its payment of the United States' share of the costs of the Committee and the Council.

International Wheat Advisory Committee

On the invitation of the Economic Committee of the League of Nations, representatives of the governments of Argentina, Australia, Canada, and the United States met in Geneva on May 10, 1933, to explore the wheat problem. On July 5, 1933, they adopted a tentative policy of temporary adjustment of production and trade to world demand with a view to improving the price of wheat and liquidating the surplus stocks overhanging the market. On August 25, 1933, an understanding was reached whereby the wheat importing countries agreed to cease efforts to increase acreages of wheat and agreed to encourage expansion of wheat consumption by gradually doing away with the restrictive measures which have made bread poor and unpalatable, to relax their quotas and other special measures designed to restrict exports, and to make a start toward reducing import tariffs. The exporting countries agreed to restrict exports the first season to what world markets would take; this to be done through a series of export quotas; and agreed that the four overseas exporting countries in 1934 would strive to reduce their production by 15 percent below their previous averages and would restrict exports in line with estimated reduction in production. The agreement set up a Wheat Advisory Committee which was to meet from time to time.

The first meeting of the Committee was held September 19, 1933; the second November 28, 1933; the third January 29-February 2, 1934. The fourth meeting was held in Rome on April 5-17, 1934, and in London on May 7-11, 1934. At the fifth meeting in August, 1934, the Committee's secretary was instructed to forward proposed amendments to the wheat agreement to signatory countries. The sixth meeting was held at Budapest on November 20-27, 1934. It was agreed there that the exporting countries should come to a determination with regard to quotas, etc., before the next meeting. An informal meeting of exporting countries was held in March, 1935, but no agreement was reached.

The seventh meeting of the Wheat Advisory Committee was held in London in May, 1935, and an agreement was reached to acquiesce to the French request that that country be allowed to export as millable wheat the bulk of that which had been understood as available for them to export in denatured form; and to continue the framework of the Committee for a further year.

The eighth session of the Committee was held July, 1936, at London. Seventeen countries agreed to continue activities and to maintain a secretariat. Argentina declined and Spain withheld stating her position. The Secretariat was instructed to continue preparing periodic reviews of the wheat situation, to investigate the further possibilities of the increased use of wheat, and to prepare a survey of the world wheat situation covering fundamental economic and social factors affecting production, consumption, trade, technical aspects of cultivation, government interventions in the form of price control, direct and indirect subsidies, tariffs, etc.

A meeting of the International Wheat Advisory Committee was held in July, 1938, at which time it was decided to continue the life of the Committee for a period of two years, to July 31, 1940. The latest meeting of the Committee was held on January 10, 1939, at which time consideration was given to the possibility and desirability of convening an international conference to work out an effective world wheat agreement. Although it is yet too early to obtain reports through the State Department on concrete results of this last meeting, in view of the present extremely unfavorable world wheat situation and the existence of widespread subsidization of wheat by the exporting countries, it is believed that present prospects of arriving at a worthwhile agreement are better than ever before.

International Sugar Council

Pursuant to a resolution of the World Monetary and Economic Conference (London, 1933), the International Sugar Conference met in London on April 5, 1937, summoned by the Secretary General of the League of Nations. The essential purpose of the conference was to secure an international agreement for the maintenance of a reasonable balance between sugar supply and demand on the world market by undertakings being given (a) on the part of those countries which do not at present export to the free market (whether or not they import or are self-sufficient or export to a preferential market), that they will

regulate their production or exports so as to maintain the free market at as high a figure as possible; (b) on the part of countries supplying the free market, that they will regulate their exports so as to keep supplies at a level appropriate to the probable demand; and (c) on the part of all countries, that, if and when prices on the free market rise to an economic level, they will do what is possible to adjust protective duties, subsidies, etc., so as to prevent their internal prices rising to a point which would check consumption and stimulate new production.

An agreement embodying the above undertakings was submitted and signed on May 6, 1937, by representatives of the cooperating nations.

A permanent organization was set up comprising an International Sugar Council, an Executive Committee, and a Secretariat. The International Sugar Council is composed of not more than three delegates from each contracting nation and, under the agreement, will meet at least once a year.

Meetings of the Council were held at London on July 5 and October 4, 1937, and April 27 and July 5, 1938. The most recent meeting was scheduled to convene on January 12, 1939.

Basic annual quotas aggregating 3,642,500 metric tons allotted to the several countries by the agreement have proved to be in excess of the subsequently estimated free market consumption during the first and second quota years under the agreement. The Council has a limited power to modify these quotas in the light of changing conditions of supply and demand, and the Council meetings afford opportunity for the signatory governments to agree on additional voluntary reductions in their free market exports. Owing to delays in the process of ratification of the agreement, no formal action by the Council exercising its right to cut export quotas by 5 percent was possible until the Council meeting of April 27-30, 1938. The cut then voted, together with additional voluntary reductions by several signatories, have resulted in decreasing the quotas to 3,209,200 tons for the first quota year. At a meeting which convened on July 5, 1938, the Council adopted a uniform 5 percent cut for the second quota year, beginning September 1, 1938, and additional voluntary reductions calculated to establish export quotas of 3,270,000 tons as against an estimated free market consumption of 3,170,000 tons.

The agreement has so far not resulted in an increase or even the maintenance of the world market price prevailing during the first quarter of 1937 before the agreement was negotiated, but this has been attributed in part to the depressive effects on consumption and prices of the general economic recession since that time. It is generally believed that the existence of the agreement may have prevented prices from going even lower than they recently have.

AGRICULTURAL ADJUSTMENT ADMINISTRATION(a) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES,
DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Conservation and Use of Agricultural Land Resources, Department of Agriculture".

(b) CONSERVATION AND USE OF AGRICULTURAL LAND RESOURCES,
DEPARTMENT OF AGRICULTURE (PRELIMINARY CONSERVATION
PAYMENTS)

This is the Budget schedule covering the allotment to the Agricultural Adjustment Administration to carry out the provision making available \$1,000,000 for compliances in the calendar year 1937 out of funds appropriated under section 2 of the Independent Offices Appropriation Act of 1937. This provision made available additional funds for a special wind-erosion control program which was developed in the spring of 1937 to meet an emergency situation in the dust-bowl area. The general soil-conservation program had been planned and announced before the dust-bowl emergency developed, thereby necessitating special legislation to make these additional funds available.

(c) ADMINISTRATION OF AGRICULTURAL ADJUSTMENT ACT OF 1938,
DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering the allotment to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Agricultural Adjustment Act of 1938, Department of Agriculture".

(d) ADMINISTRATION OF PRICE ADJUSTMENT ACT OF 1938, DEPART-
MENT OF AGRICULTURE

This is the Budget schedule covering the allotments from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Price Adjustment Act of 1938, Department of Agriculture".

(e) ADMINISTRATION OF THE SUGAR ACT OF 1937, DEPARTMENT
OF AGRICULTURE

This is the Budget schedule covering allotments from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Sugar Act of 1937."

(f) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL
COMMODITIES, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Exportation and Domestic Consumption of Agricultural Commodities, Department of Agriculture".

(g) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL
COMMODITIES, DEPARTMENT OF AGRICULTURE (COTTON
PRICE ADJUSTMENT)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration and other agencies in connection with price adjustment payments to cotton producers.

The Third Deficiency Appropriation Act of 1937 made available not to exceed \$65,000,000 of the funds available under section 32 of the Act of August 24, 1935, in each of the fiscal years 1938 and 1939, to be available until expended, for a price adjustment payment with respect to the 1937 cotton crop to cotton producers who have complied with the provisions of the 1938 agricultural adjustment program formulated under legislation contemplated by Senate Joint Resolution No. 207, 75th Congress.

Payments to producers are to be at a rate per pound equal to the difference between twelve cents per pound and the average price of seven-eighths middling cotton on the ten designated spot cotton markets on the dates of sale of such cotton, but in no case to exceed three cents per pound.

This payment will enable the growers to sell their cotton at current market prices and obtain a return of approximately twelve cents per pound on that portion of their sales from the 1937 crop which is eligible for the payments.

(h) EXPORTATION AND DOMESTIC CONSUMPTION OF AGRICULTURAL
COMMODITIES, DEPARTMENT OF AGRICULTURE (COTTON PRICE
ADJUSTMENT)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration and transfers to other Government agencies to complete the activities under the provisions of the 1935 Cotton Price Adjustment plan.

The Supplemental Appropriation Act of February 11, 1936, authorized the use of "so much as may be necessary of the amount appropriated for the fiscal year ending June 30, 1936, by Section 32 of the

Act of August 24, 1935", to be available until expended, for making the payments provided for in the 1935 Cotton Price Adjustment Plan, except that the provisions of said plan which conditioned the making of payments upon the producer's undertaking to cooperate in the 1936 Cotton Adjustment Program formulated under the Agricultural Adjustment Act shall be of no force and effect, and to pay necessary administrative expenses incurred and to be incurred in connection with the making and auditing of payments. The amount set aside for this purpose out of the \$92,111,741 provided in 1936 by section 32 of the Act of August 24, 1935 was \$43,000,000. Of this sum \$32,204,476 was obligated in 1936, \$10,407,440 in 1937 and \$99,220 estimated for 1938, leaving an unobligated balance of \$288,864.

This program was initiated prior to the Supreme Court decision (U.S. vs. Butler) and, because of its condition that the producer undertake to cooperate in the 1936 Cotton Adjustment Program which became invalid by the Supreme Court decision, the above legislation was necessary to carry out the program initiated.

The purpose of this program was to offset a reduction in returns to growers that might result when the cotton loan rate for the 1935 crop was reduced to ten cents. This payment enabled the growers to sell their cotton at current market prices and still obtain a return close to twelve cents a pound.

The conditions of this adjustment payment were that growers who had cooperated in the 1935 acreage adjustment program or who agreed to cooperate in the 1936 program would receive on all cotton sold, not in excess of their allotments under the Bankhead Cotton Act, an amount equal to the difference between twelve cents and the average price on the ten designated spot markets on the day they sold their cotton. However, such payments were not to exceed two cents per pound.

(i) RETIREMENT OF COTTON POOL PARTICIPATION TRUST CERTIFICATES, DEPARTMENT OF AGRICULTURE

This is the Budget schedule covering allotments from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Retirement of Cotton Pool Participation Trust Certificates, Department of Agriculture".

(j) PAYMENTS FOR AGRICULTURAL ADJUSTMENT, DEPARTMENT OF AGRICULTURE

The Supplemental Appropriation Act of 1936 appropriated, to be available until expended, \$296,185,000 to meet all obligations and commitments, including salaries and administrative expenses theretofore incurred or

to be incurred and rental and benefit payments in connection with adjustment contracts entered into prior to January 6, 1936, in which partial performance had been effected by the farmers and where applications for contracts were made prior to January 6, 1936, by farmers who had in good faith made adjustments in acreage and otherwise substantially complied with the requirements in connection with a crop program, regardless of whether contracts had been signed. This appropriation was necessary to complete the liquidation of moral obligations incurred under the production adjustment programs which were initiated under the authority contained in section 12(b) of the Agricultural Adjustment Act and which were invalidated by the Supreme Court decision (U.S. vs. Butler).

The obligations and commitments under funds allocated directly to the Agricultural Adjustment Administration include rental and benefit payments with respect to cotton, wheat, corn, hogs, tobacco, sugar, peanuts, rice, and rye; the completion of programs for the removal of surplus wheat, hogs, and peanuts; and administrative expenses, including salaries, incurred in connection with the production adjustment programs.

Obligations for 1938, 1939, and 1940 under the 1938 balance available from this fund (\$42,649,768) are set forth in the following project statement:

PROJECT STATEMENT

	1938	1939	1940
Obligated as follows:			
Agricultural Adjustment Payments	\$2,192,871	- -	- -
Administrative expenses:			
Agricultural Adjustment Administration	258,830	\$360,000	\$321,190
Extension Service	29,943	- -	- -
Treasurer, U. S.	1,000	- -	- -
Total	2,482,644	360,000	321,190
1936 appropriation available in 1938	-42,649,768		
1938 unobligated balance available in 1939	+ 40,167,124	-40,167,124	
Reappropriated to Conservation and Use of Agricultural Land Resources		+39,000,000	
1939 estimated unobligated balance available in 1940		+807,124	-807,124
Unobligated balance			+ 485,934

(1) SALARIES AND EXPENSES, AGRICULTURAL ADJUSTMENT ADMINISTRATION

Section 12(a), title I, of the Agricultural Adjustment Act appropriated, to be available until expended \$100,000,000 for administrative expenses under that title and for payments authorized to be made under section 8.

A list of the obligations incurred under this fund appears in the following statement:

Supporting Schedule of Obligations, by fiscal years, under \$100,000,000 appropriation provided
by Sec. 12(a) of Agricultural Adjustment Act of May 12, 1933

Projects	Obligations					
	1934	1935	1936	1937	1938	1939 (Est.) 1940 (Est.)
A.A.A. Administrative expenses:						
General administration.....	-	\$1,530,120	\$1,888,190	\$1,419,711	\$84,614	\$306,850
Marketing agreements.....	-	1,341,308	1,163,404	501,453	748,257	797,192
Protecting consumers' interests..	-	183,757	166,147	156,284	35,739	95,958
Program planning.....	-	555,168	229,109	164,729	-	-
Information service.....	-	413,113	467,490	373,905	-	-
Headquarters administration of agricultural conservation program.....	-	-	17,646	906,376	-	-
Administration of commodity pur- chase program.....	-	-	-	793,096	-	-
Total A.A.A. Administrative expenses.....		4,073,466	3,931,986	4,315,554	869,610	1,200,000
Allotments for Administrative Ex- penses incurred by cooperating bureaus of Department of Agri- culture:						
Bureau of Markets.....	-	-	-	-	37,714	133,500
Foreign Agricultural Service.....	-	-	-	-	24,992	25,000
Office of Secretary.....	-	228,854	353,026	25,000	-	-
Office of Solicitor.....	-	608,746	451,955	256,217	116,785	164,300
Office of Information.....	-	2,454	14,490	-	-	-
Library.....	648	1,317	4,128	3,240	-	-
Extension Service.....	6,516	14,000	8,400	11,640	8,500	8,000
Bureau of Animal Industry.....	-	-	975	-	-	-
Bureau of Plant Industry.....	1,832	-	-	-	-	-
Bureau of Agricultural Economics.	47,226	117,553	213,785	95,097	15,124	11,500
Bureau of Home Economics.....	-	1,986	-	-	-	-
Total, administrative expenses by cooperating bureaus of Agriculture.....	56,222	974,910	1,046,760	403,194	203,115	342,300

Supporting Schedule of Obligations, etc. - Continued.

Projects	Obligations					
	1934	1935	1936	1937	1938	1939 (Est.) 1940 (Est.)
Allotments for Administrative Expenses incurred by other cooperating Government agencies:						
Federal Trade Commission.....	\$5,000	-	-	-	-	-
Department of Commerce (Census Bureau).....	-	-	\$6,463	-	-	-
Department of Justice.....	-	-	71,419	\$5,100	-	-
Department of Labor (Bureau of Labor Statistics).....	5,024	\$5,766	4,486	-	-	-
Treasury Department (general administration).....	-	-	3,000,000	-	-	-
Treasury Department (Division of Disbursement).....	1,404	-	-	-	-	-
Treasury Department (Office of Treasurer, U.S.).....	-	-	-	12,500	-	-
Total, administrative expense by other cooperating Government agencies.....	12,428	5,766	3,082,368	17,600	-	-
Payments to cotton ginner (sec. 40, Act of August 24, 1935 (49 Stat. 777-778), and Act of Feb. 11, 1936 (49 Stat. 1116).....	-	-	-	2,532,350	-	-
Reappropriations:						
"International Wheat Advisory and International Production Control Committees" as authorized by Agricultural Appropriation Acts	-	-	-	4,021	\$10,000	\$17,500
"Tobacco compacts and agreements among States" (7 U.S.C., Supp. II, 515-515k).....	-	-	-	300,000	-	-
"Marketing agreements, hog cholera virus and serum", Bureau of Animal Industry (49 Stat. 1617)	-	-	-	13,149	30,000	30,000

Supporting Schedule of Obligations, etc. - Continued.

Projects	Obligations						
	1934	1935	1936	1937	1938	1939 (Est.)	1940 (Est.)
Reappropriations: (continued)							
"Sixth World's Poultry Congress" (49 Stat. 1508).....	-	-	-	\$11,459	-	-	-
"Soil survey of the Hawaiian Islands", Bureau of Chemistry and Soils (49 Stat. 1617).....	-	-	-	13,540	-	-	-
"Conservation and Use of Agricultural Land Resources, Department of Agriculture".....	-	-	-	-	-	\$71,000,000	-
Total reappropriated.....	-	-	-	342,169	\$40,000	71,047,500	\$47,500
Total obligations.....	\$2,587,808	\$5,054,142	\$8,061,114	7,610,867	1,112,725	72,589,800	1,539,800
1933 appropriation obligated 1933 and 1934.....	\$2,587,808	-	-	-	-	-	+2,587,808
1933 appropriation obligated 1935..	-	-5,054,142	-	-	-	-	+5,054,142
1933 appropriation obligated 1936..	-	-	-8,061,114	-	-	-	+8,061,114
1933 appropriation obligated 1937..	-	-	-	-7,610,867	-	-	+7,610,867
1933 appropriation obligated 1938..	-	-	-	-	-1,112,725	-	+1,112,725
1933 appropriation obligated 1939..	-	-	-	-	-	-72,589,800	+72,589,800
1933 appropriation obligated 1940..	-	-	-	-	-	-	+1,589,800
Unobligated balance.....	-	-	-	-	-	-	6/1,393,744
Total appropriation.....	-	-	-	-	-	-	100,000,000

a/ No project breakdown available under this item for 1934.

b/ Includes \$17,374 obligated in 1933.

c/ Subject to allotment for surveys and formulation of agricultural adjustment and related programs by the Bureau of Agricultural Economics, and for contingencies.

WORK UNDER THIS APPROPRIATION

This appropriation was provided by section 12(a) of the Agricultural Adjustment Act, to be available until expended, for administrative expenses under Title I and for payments authorized to be made under section 8.

The obligations which it is anticipated will be incurred under this appropriation during the fiscal year 1940 will be (1) those for administrative expenses in connection with activities of the Agricultural Adjustment Administration not affected by the Supreme Court decision (U.S. vs. Butler), including amounts transferred to cooperating agencies (\$1,589,800); and (2) \$71,000,000 transferred to "Conservation and Use of Agricultural Land Resources" to be applied for payments to agricultural producers cooperating in the agricultural conservation program, or a total of \$72,589,800.

The principal activity of the Agricultural Adjustment Administration currently being financed from this appropriation includes administrative supervision, formulation and administration of marketing agreements.

(1) SPECIAL DEPOSITS - COTTON

The schedules in the Budget under this heading reflect financial transactions in connection with the acquisition and disposition of spot cotton and cotton futures contracts by the Secretary of Agriculture, as provided for by part 1, title I, of the Agricultural Adjustment Act of May 12, 1933, as amended. All spot cotton and future contracts were sold or disposed of prior to January 1, 1937. Operations in connection with the liquidation of this program were completed on June 30, 1937.

(n) EMERGENCY RELIEF, AGRICULTURE, AGRICULTURAL ADJUSTMENT ADMINISTRATION, ASSISTANCE FOR EDUCATIONAL, PROFESSIONAL, AND CLERICAL PERSONS, ETC. (TRANSFER FROM W.P.A.)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from funds appropriated to the Works Progress Administration under the Emergency Relief Appropriation Act of 1938.

This project will operate in the District of Columbia. It involves the compilation, indexing and summarizing of data on standards for consumer goods, administration of State and local weights and measures laws, consumer education, and demand for and use of consumer standards in order to provide information for the use of Federal, State and local governmental agencies, trade associations, consumer organizations and schools.

(n) EMERGENCY RELIEF, AGRICULTURE, AGRICULTURAL ADJUSTMENT
ADMINISTRATION, ADMINISTRATIVE EXPENSES (TRANSFER FROM
W.P.A.)

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from funds appropriated to the Works Progress Administration under the Emergency Relief Appropriation Act of 1938.

For administrative expenses in Washington, D. C. on projects involving compilation, indexing, and summarizing of data on standards for consumer goods, administration of State and local weights and measures laws, consumer education, and demand for and use of consumer standards in order to provide information for use of Federal, State, and local governmental agencies, trade associations, consumer organizations, and schools.

(o) ADMINISTRATION OF FEDERAL CROP INSURANCE ACT, DEPART-
MENT OF AGRICULTURE

This is the Budget schedule covering allotments to the Agricultural Adjustment Administration from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of Federal Crop Insurance Act, Department of Agriculture".

(p) FLOOD CONTROL GENERAL (TRANSFER TO AGRICULTURE)

This is the Budget Schedule covering allotment to the Agricultural Adjustment Administration from the appropriation under this heading.

This allotment was for an aerial survey of lands adjacent to Los Angeles to provide information for water shed surveys under way, under the Flood Control Act of 1936.

SUGAR DIVISION

Administration of the Sugar Act of 1937

This is the Budget schedule covering allotments to the Sugar Division from the appropriation under this heading. The appropriation is discussed in its entirety in the notes under the caption "Administration of the Sugar Act of 1937, Department of Agriculture".

FEDERAL SURPLUS COMMODITIES CORPORATION

- (a) Funds transferred from "Exportation and Domestic Consumption of Agricultural Commodities, Department of Agriculture, 1939" (Section 32, Act of August 24, 1935)

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase
Purchase, processing, storage, handling, and transportation of surplus agricultural commodities.....	\$44,809,138	\$64,535,000	\$69,535,000	+\$5,000,000(1)
Administrative expenses	505,167	465,000	465,000	- -
Total obligations.....	45,314,305	65,000,000	70,000,000	+5,000,000
Received by transfer from "Exportation and domestic consumption of agricultural commodities, Department of Agriculture".....	-45,314,305	- 65,000,000	- 70,000,000	- 5,000,000
Total appropriation	- -	- -	- -	- -

INCREASE

(1) An increase of \$5,000,000 is anticipated in the amount which may be transferred to the Federal Surplus Commodities Corporation in 1940 for purchase, handling, and disposition of surplus agricultural commodities. These transfers are made pursuant to the authority contained in the Act approved June 28, 1937 (7 U.S.C. 612c note). No accurate estimate can be made at this time of programs to be undertaken in 1940 because of practical difficulties in forecasting commodity market emergencies, their extent, the effect of present programs, and the rapidly changing supply conditions primarily due to weather and other natural hazards. It is estimated from past years' experience that approximately \$70,000,000 will be needed for the work required of the corporation to carry out the 1940 program.

GENERAL STATEMENT OF OPERATIONS

By Section 204 of the Agricultural Adjustment Act of 1938 (7 U.S.C. 612c note), the Federal Surplus Commodities Corporation was continued until June 30, 1942, as an agency of the United States under the direction of the Secretary of Agriculture to carry out the provisions of clause (2) of Section 32 of the Act approved August 24, 1935 (7 U.S.C. 612), as amended, relating to the exportation and domestic consumption of agricultural products.

The operations consist of purchasing, processing, storage, handling, transporting, and disposing of surplus agricultural commodities and products for relief. Products handled: livestock, dairy products, grain, citrus fruits, and general crops such as potatoes, apples, beans, etc.

(b) Federal Surplus Commodities Corporation (Corporation Funds)

(Funds available in 1938 and estimated to be available in 1939 and 1940 from contributions by State relief administrations)

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Decrease
Purchase, processing, storage, handling, and transportation of surplus agricultural commodities.	\$3,754,673	\$269,710	- -	- \$269,710
Administrative expenses ...	516,288	791,290	\$747,710	- 43,580
Total	4,270,961	1,061,000	747,710	- 313,290(1)

(1) The indicated reduction of \$313,290 in these funds for 1940 is due to the expected cessation of contributions by State relief administrations for the purchase, handling, and disposition of surplus agricultural commodities.

FEDERAL CROP INSURANCE ACT

(a) ADMINISTRATIVE AND OPERATING EXPENSES

Appropriation Act, 1939:

Made available for 1939 by reappropriation from unobligated balance of the 1938 appropriation for "Conservation and Use of Agricultural Land Resources, Department of Agriculture "	\$5,500,000
Budget Estimate, 1940	<u>6,000,000</u>
Increase	<u>500,000</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase or decrease
1. Administration and operation	\$205,570(a)	\$2,015,000	\$2,149,300	+\$134,300(1)
2. State and county crop insurance supervisors and administrative and operating expenses of State and county agricultural conservation committees.....	475,783(a)	2,596,000	2,350,700	- 245,300(2)
3. Storage of wheat premiums..	---	889,000	1,500,000	+ 611,000(3)
Total.....	681,353(a) (b)	5,500,000 (c)	6,000,000	+ 500,000

(a) For part of fiscal year only.

(b) Allotment from "Administration of Agricultural Adjustment Act of 1938, Department of Agriculture."

(c) Made available for 1939 by reappropriation, as shown in first table above.

INCREASE

The increase of \$500,000 in this item for 1940 consists of:

(1) An increase of \$134,300 for increased personnel and other costs necessary to handle an expected increase in volume of operations and to provide for analysis of crop-loss claims and the determination and payment of indemnity obligations ensuing therefrom.

A total of 103,643 premiums have been received as of December 23, 1938, which will result in the issue of approximately that number of policies. (For a list of applications and premiums received by States see Table I, Page 624.) It is important to point out that the 103,643 premiums received do not include premiums from the spring-wheat area except in the case of growers in that area who produce winter wheat. A considerable number of applications is expected from the spring-wheat area during the next few months. It is estimated that policies issued for the 1939 crop will total about 175,000.

Settlement of claims has not been a feature of the initial year's operations of the Corporation, but with the maturity and harvest of the current (1939) crop losses will appear, an extension of the operations of the Corporation will be necessary, and an increase in personnel must be provided to handle the work of settlement of claims arising under policies written covering this crop.

There is need also for increased technical services by cooperating bureaus of the Department to provide for additional work in connection with the analysis of claims and payment of indemnities and for obtaining additional data on production, marketing, and crop losses necessary for the efficient operation of the crop insurance program.

The increase of \$134,000 consists of (a) \$91,940 for additional work of the Corporation necessitated by the analysis of claims and payment of indemnities covering crop losses and by a probable increased participation in the program; (b) \$20,500 additional for allotment to the Office of the Solicitor to provide for increased legal services necessary in the adjustment of crop loss claims; and (c) \$22,310 additional for allotment to the Agricultural Marketing Service for the collection and compilation of data on production, marketing, and crop losses with respect to wheat and other agricultural commodities and for collaboration in the actual handling of marketing problems.

(2) A decrease of \$245,300 in the project "State and County Crop Insurance Supervisors and Administrative and Operating Expenses of State and County Agricultural Conservation Committees."

As contemplated by the Act, the Corporation has utilized associations of producers in the administration thereof, particularly in the actual contact work wherein the purposes and benefits of wheat crop insurance are explained to the wheat grower.

The contemplated decrease in the cost of this project should be possible because the expense involved in explaining the program to the growers should be less than in the first year of operation. It is expected, too, that a substantial reinsurance will be possible in connection with claims adjustment work, and a considerable reinsurance may come somewhat automatically with little cost on the part of the County Agricultural Conservation Committees.

(3) An increase of \$611,000 for storage of wheat premiums.

Due to the fact that participation in the insurance program in its first year has been most popular with the small and medium sized grower, the number of bushels of wheat received as premiums has run less than expected, although the participation in actual applications received and policies issued will run, judging from present indications, to a total close to that which has been expected. It has been possible, therefore, to scale down the estimates under this project during the first year of operation.

It is believed necessary, however, not only to expect a substantial increase in participation among the small and medium sized growers, but also to anticipate wider participation in 1940 among the large growers, which will mean an increase in the amount of wheat for storage out of proportion to the increase in policies.

It seems necessary also to provide for the possibility of a good crop in 1939, with losses of minimum amount, which would mean that the Corporation might run through the second year without much of a reduction in its wheat reserves and end that year with nearly two full years' accumulation of wheat. This, coupled with the certainty of a substantial increase in participation in 1940, would result in a wheat reserve of substantially more than double that expected at the end of the first year (1939).

CHANGES IN LANGUAGE

A few minor changes are recommended in the language of this paragraph. In 1939 the item provided for the reappropriation of balances from the 1938 appropriation "Conservation and Use of Agricultural Land Resources." For 1940, however, a direct appropriation is proposed. The language has been amended merely to reflect this change and to correct the statute reference and punctuation.

WORK UNDER THIS APPROPRIATION

General.-- The Federal crop insurance program for wheat was authorized by the Federal Crop Insurance Act (Title V, Agricultural Adjustment Act of 1938 - 52 Stat. 72-77). This program has been presented to, and participation secured from, growers in three-fourths of the 1,750 counties where wheat is a crop of importance. The insurance contract protects the grower against all natural hazards, and coverage is provided up to 50 or 75 percent of the average yield based upon the appraised or historical production of the insured farm. All but a comparatively small proportion of the policies issued provide a coverage of 75 percent. Premiums are collected in wheat or in cash which is immediately converted into wheat and held in storage pending the appearance of crop damage and the loss claims arising therefrom. The premium rate has been determined by a statistical study of yields and measures the risk as reflected by total or partial losses in yield as compared to the average yield over a period of years.

Applicants for wheat crop insurance submit their applications to the County Agricultural Conservation Committee for the county in which the farm is located. The work of securing, examining, and approving such applications is under the jurisdiction of a County Crop Insurance Supervisor. The Supervisor and such assistants as are needed to present the program to the growers usually are farmers engaged in the actual growing of wheat. Farms are inspected after seeding and necessary adjustments are made if seeded acreage is found to be less or more than specified in the policy and reinspected later in order to verify crop damage as reported. Claims will be analyzed and settled as the amount of indemnity is determined.

Statistical compilations and analyses are made for the purpose of refining the basis used for rate determination in wheat crop insurance and to establish such basis for other agricultural commodities in accordance with provisions of Sec. 506 (b) of the Federal Crop Insurance Act.

1. Administration and operation.--This project provides for carrying into effect the purposes of the Act by the maintenance of operating offices at convenient points in the major wheat-producing areas. Such offices are located at Kansas City to serve the hard winter wheat area; in Minneapolis for the

spring wheat area; in Indianapolis for the soft winter wheat States; in Spokane, Washington, to serve the North Pacific area; and in Washington, D. C., for the Eastern, Southeastern, and Northeastern States.

These operating offices carry on the work of receiving applications, collecting premiums, issuing policies, purchasing wheat, storing wheat reserves, examination and analysis of loss claims, and adjustment of losses.

A supervising office is maintained in Washington for the purpose of developing actuarial statistics, establishing rates of insurance (which are worked out individually for about 1,750 wheat-producing counties), supervising marketing methods, and exercising administrative supervision over the whole field of operation.

2. State and County Crop Insurance Supervisors, and Administrative and Operating Expenses of State and County Agricultural Conservation Committees.---As contemplated in the Act, the services of local associations of producers (State and County Agricultural Conservation Committees) have been utilized and, in addition thereto, and to work with the committees, a State Crop Insurance Supervisor has been appointed in each major wheat-producing State and a County Crop Insurance Supervisor in each county where wheat growing is important.

The project of securing grower participation, inspection of farms, collection of premiums, and adjustment of loss claims required (a) the assignment by the county committee of qualified representatives to carry on the work expeditiously; (b) the selection and maintenance of a State Insurance Supervisor and a County Insurance Supervisor in each State and county, respectively, wherein the extent of wheat-growing operations justify it; and (c) the effective direction of the activities of these persons by the Washington office and by means of a staff of field supervisors who watch results, visit and work with local supervisors and committees in areas which need instruction or supervision, and report on results and problems encountered.

3. Storage of Wheat Premiums.---This project involves the provision of storage facilities for wheat carried over from the previous year and paid in as premiums or purchased during the budget year with cash premiums paid, such storage to be in areas most likely to require wheat reserves in payment of loss claims. To this end warehouse agreements are negotiated and renewed, wheat conditioned as necessary, used to meet loss settlements, and transferred from one storage point to another if required.

The following table lists, by States, the number of applications and premiums received during the first year of the crop-insurance program:

Table 1. - Applications and premiums received, by States, during the first year of the crop insurance program (as of December 23, 1938).

Branch office and State	Applications received	Premiums received
<u>Washington Branch</u>		
Delaware	170	67
Maryland	1,531	507
New York	696	264
Pennsylvania	3,483	480
Virginia	1,357	263
West Virginia	2	1
	<u>7,239</u>	<u>1,582</u>
<u>Kansas City Branch</u>		
Ohio	25,272	10,262
Indiana	17,964	10,659
Illinois	21,866	11,891
Michigan	9,723	4,800
Iowa	6,798	4,586
Missouri	31,662	15,553
Nebraska	29,099	12,430
Kansas	26,698	13,903
Oklahoma	13,246	8,294
Texas	6,040	3,642
Idaho	604	101
Wyoming	693	177
Colorado	4,041	559
New Mexico	408	101
Utah	472	227
California	118	24
	<u>194,704</u>	<u>97,209</u>
<u>Minneapolis Branch</u>		
Wisconsin	228	125
Minnesota	9,055	2,344
North Dakota	11,288	420
South Dakota	8,295	833
Montana	2,527	577
Idaho	988	394
Washington	518	99
Oregon	310	86
	<u>33,209</u>	<u>4,878</u>
Total	235,152	103,669

(b) SUBSCRIPTIONS TO CAPITAL STOCK

Appropriation Act, 1939:

Made available for 1939 by reappropriation from unobligated balance of 1938 appropriation for "Conservation and Use of Agricultural Land Resources, Department of Agriculture ".....\$20,000,000
 Budget Estimate, 1940.....
 Decrease..... 20,000,000

PROJECT STATEMENT

Project	1938	1939 (Estimated)	Decrease
Subscription to capital stock, Federal Crop Insurance Corpora- tion (Treasury Department).....	---	(a)\$20,000,000	- \$20,000,000(1)

(a) Made available for 1939 by reappropriation, as shown in first table above.

DECREASE

(1) No estimate is submitted for 1940 for subscription to the capital stock of the Federal Crop Insurance Corporation.

WORK UNDER THIS APPROPRIATION

Section 504 of the Federal Crop Insurance Act, approved February 16, 1938, authorizes a capital stock of \$100,000,000 for the Federal Crop Insurance Corporation and prescribes the manner for its subscription. It also authorizes the appropriation of not more than \$100,000,000 for the purpose of subscribing to this stock.

The capital stock thus provided, it is clear, is intended as a reserve against crop losses insured against under authority of Section 508 of the Act. The appropriation of \$20,000,000 made available in 1939 is held unimpaired by the Corporation as such a reserve to be applied against the liquidation of indemnities arising out of claims filed or to be filed as a result of 1939 crop losses, yet unknown.

FARM TENANT ACT

Under this head in the Agricultural Appropriation Act, fiscal year 1939, are grouped three items: (1) "Farm Tenancy" (Title I of the Bankhead-Jones Farm Tenant Act of July 22, 1937; 7 U.S.C. 1000-1006); (2) "Liquidation and management of Resettlement Projects" (title IV of the Farm Tenant Act); and (3) "Land Utilization and Retirement of Submarginal Lands (title III of the Act).

Responsibility for carrying out the purposes of title I (tenancy loans) and title IV (liquidation and management of resettlement projects) has been placed by the Secretary of Agriculture in the Farm Security Administration.

In the case of activities under title III (land utilization program), responsibility for the development of the conservation and utilization program has been assigned by the Secretary to the Bureau of Agricultural Economics, with the acquisition, improvement, protection, and administrative phases of the work assigned to the Soil Conservation Service.

(a) FARM TENANCY

Appropriation Act, 1939.....\$25,000,000 (a)
 Budget Estimate, 1940..... 25,000,000 (b)

- (a) In addition, the unexpended balance of the 1938 appropriation under this head (\$551,404) was reappropriated for 1939.
 (b) In addition, the unexpended balance of the 1939 appropriation (at present indeterminate) to be reappropriated in 1940.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase or decrease
1. Farm tenancy loans.....	\$9,109,599	\$24,273,834	\$23,750,000	-\$523,834
2. Technical services, including county committees.....	193,749	744,870	727,130	- 17,740
3. Administrative expenses....	145,248	532,700	522,870	- 9,830
Total obligation.....	9,448,596	25,551,404	25,000,000	-\$551,404 ⁽¹⁾
Unobligated balance of 1938, reappropriated, 1939.....	551,404	- 551,404	- -	+551,404
Total appropriation.....	10,000,000	25,000,000	25,000,000	- -

DECREASE

(1) Under the estimate for 1940 no change is contemplated in the amount appropriated. While there is an apparent decrease of \$551,404 in funds available under this item for 1940, this reduction consists of the unobligated balance of the appropriation for the fiscal year 1938 which was reappropriated in 1939. A similar provision is made for 1940 but the amount of the 1939 appropriation which will remain unobligated, if any, is indeterminate.

The following table shows the allotments of funds for loans, by States, for the fiscal year 1939 and the approximate allotments for the fiscal year 1940, according to the basis for equitable distribution of loans as set forth under Title I, Section 4, Bankhead-Jones Farm Tenant Act:

Farm Tenancy Loan Allotments by States, 1939, and Estimated for 1940

States and Territories	Allotment, 1939	Allotment, 1940 (estimated)	Decrease
Alabama.....	\$1,572,768	\$1,538,827	\$33,941
Arizona.....	31,341	30,665	676
Arkansas.....	1,245,774	1,218,890	26,884
California.....	232,424	227,408	5,016
Colorado.....	189,497	185,408	4,089
Connecticut.....	18,385	17,988	397
Delaware.....	29,727	29,085	642
District of Columbia.....	222	217	5
Florida.....	157,458	154,058	3,400
Georgia.....	1,622,521	1,587,507	35,014
Idaho.....	99,765	97,612	2,153
Illinois.....	796,667	779,475	17,192
Indiana.....	474,188	463,955	10,233
Iowa.....	844,630	826,403	18,227
Kansas.....	544,737	532,981	11,756
Kentucky.....	853,570	835,150	18,420
Louisiana.....	963,007	942,225	20,782
Maine.....	22,419	21,935	484
Maryland.....	115,605	113,110	2,495
Massachusetts.....	17,804	17,420	384
Michigan.....	280,943	274,880	6,063
Minnesota.....	550,459	538,580	11,879
Mississippi.....	1,636,810	1,601,487	35,323
Missouri.....	807,828	790,395	17,433
Montana.....	95,153	93,100	2,053
Nebraska.....	503,630	492,762	10,868
Nevada.....	3,896	3,812	84
New Hampshire.....	9,761	9,550	211
New Jersey.....	45,207	44,233	974
New Mexico.....	63,293	61,927	1,366
New York.....	195,971	191,742	4,229
North Carolina.....	1,348,056	1,318,965	29,091
North Dakota.....	265,247	259,523	5,724
Ohio.....	573,186	560,817	12,369
Oklahoma.....	1,093,394	1,069,798	23,596
Oregon.....	94,964	92,915	2,049
Pennsylvania.....	303,622	297,070	6,552
Rhode Island.....	5,282	5,168	114
South Carolina.....	1,037,809	1,015,413	22,396
South Dakota.....	306,256	299,647	6,609
Tennessee.....	1,063,427	1,040,478	22,949
Texas.....	2,343,214	2,292,647	50,567
Utah.....	36,237	35,455	782
Vermont.....	23,517	23,010	507
Virginia.....	546,716	534,918	11,798
Washington.....	118,163	115,613	2,550
West Virginia.....	255,041	249,537	5,504
Wisconsin.....	338,855	331,542	7,313
Wyoming.....	30,539	29,880	659
Alaska.....	1,326	1,297	29
Hawaii.....	222,410	217,610	4,800
Puerto Rico.....	241,113	235,910	5,203
Total.....	\$24,273,834	\$23,750,000	\$523,834

WORK UNDER THIS APPROPRIATION

General.--- This appropriation is intended to promote stability of the farm population and conservation of agricultural resources by enabling a limited number of farm tenants to become farm owners, and to mitigate the economic instability resulting from insecure land tenure and a consequent mining of farm land for immediate returns. This appropriation provides for the making of loans in the United States and in Alaska, Hawaii, and Puerto Rico to farm tenants, farm laborers, sharecroppers, and other individuals who obtain, or who recently obtained, the major portion of their income from farming for the purpose of acquiring farms. The disappearance of the frontier, followed by more exacting leasing arrangements, land speculation, high prices of farms, and prohibitive credit terms, have made it impossible for many farm tenants to attain stability or to become farm owners without public assistance. The number of farm tenants is increasing at the rate of 40,000 per annum.

1. Farm Tenancy Loans.--- Under the authorization by Congress in the Bankhead-Jones Farm Tenant Act, farm tenancy loans are being made to farmers who cannot obtain adequate credit from other sources to buy farms on reasonable terms. These farm tenancy loans, made for a 40-year period at 3 percent interest, are intended to buy family-sized farms large enough to yield a living to the borrower and his family and to enable him to retire the loan. Borrowers are required to make annual payments, covering principal and interest, sufficient to retire the loan over 40 years. Loans are secured by a first mortgage or deed of trust on the farms purchased.

Under the amount of funds available it has been necessary to restrict loan activities to a limited number of counties selected on the basis of farm population and prevalence of tenancy during the current fiscal year.. Approximately 700 counties are being reached, and it is estimated that 5,000 farmers will become farm owners as a result of activities under this project during the 1939 fiscal year. The appropriation requested for 1940 will permit the operation of the program in almost the same number of counties as are being reached during 1939, and will benefit almost the same number of farmers as are being assisted during 1939.

All funds provided under this project are being used directly for the principal amount of the loans.

2. Technical Services, including County Committees.--- The Bankhead-Jones Farm Tenant Act provides that the amount of loans shall be distributed equitably among the several States and Territories on the basis of farm population and the prevalence of tenancy. This requires the maintenance of a field organization to furnish the necessary technical assistance. The Farm Tenant Act requires the appointment of a committee of three farmers in each county in which activities are carried on. While engaged in the performance of duties each member is allowed compensation at the rate of \$3 per day, in compliance with the requirements of the Act. Allowance is also made for necessary traveling and subsistence expenses and clerical assistants. State advisory committees have been organized in each State and travel and subsistence expenses are allowed the members.

During the fiscal year 1939, the sum available for such purposes provides for an organization consisting of a limited number of committees and technical personnel.

3. Administrative Expenses.--- It is necessary to maintain an organization to investigate applications, make loans, keep accounts, purchase supplies, negotiate contracts, examine vouchers and abstracts of title, draft mortgages and other legal documents, provide legal assistance, select and train personnel, etc. This personnel is distributed throughout the 48 States, the District of Columbia, and in Puerto Rico and Hawaii.

During the fiscal year 1939 the sum available is being used to provide for a limited number of personnel to carry on the various administrative activities incident to the investigation of applications, making of loans, maintaining accounts, examining abstracts of title, drafting mortgages and other legal documents, selection and appointment of qualified personnel, filing of documents, negotiating contracts for office space and services, examination of vouchers, etc. The total administrative expenses, together with the total technical services and expenses of committees described under Project 2, will not exceed the 5 percent limitation provided by the Act.

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS

Appropriation Act, 1939 \$2,000,000
 Budget Estimate, 1940..... 2,000,000

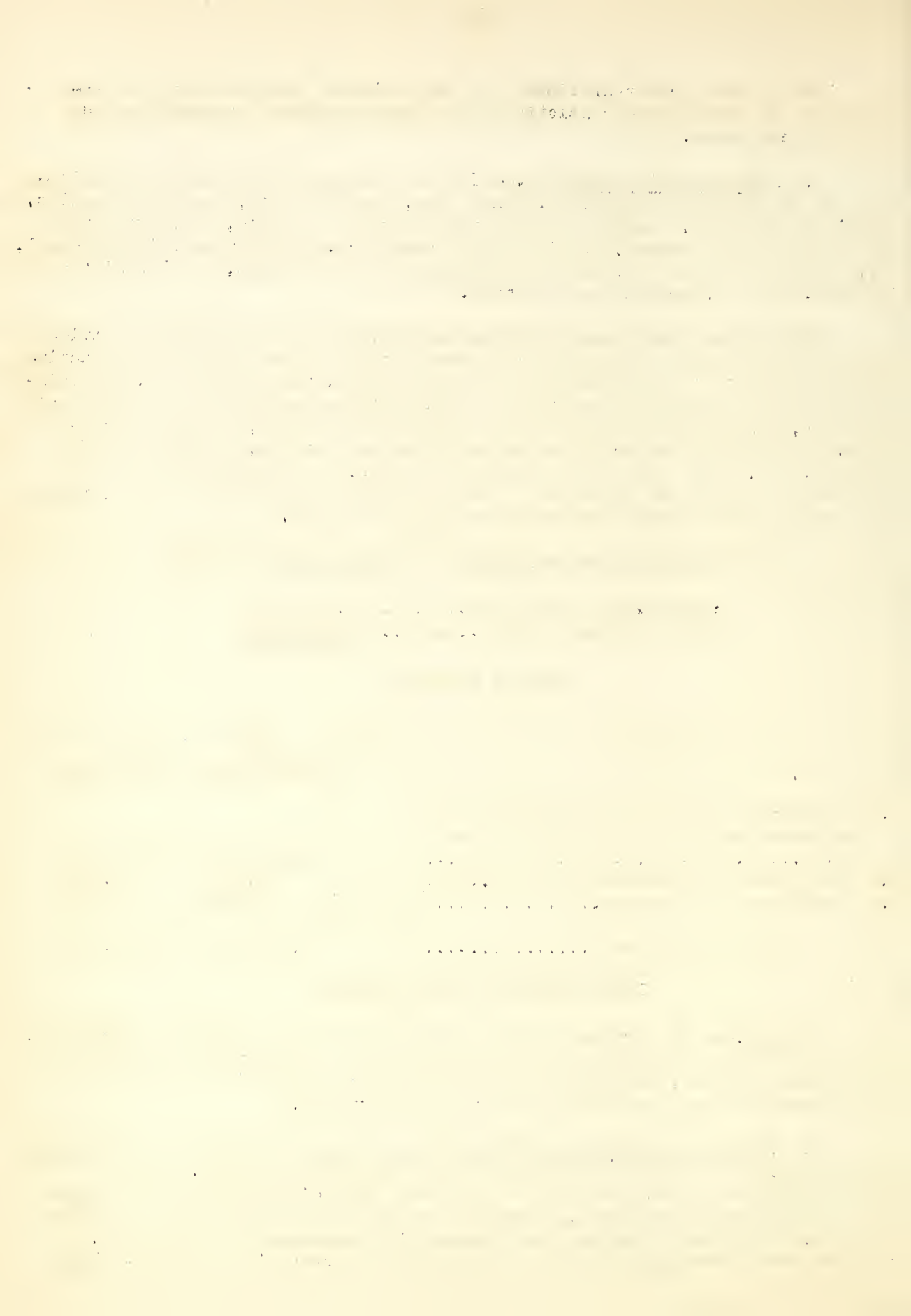
PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)
1. Technical services and supervision of land development and property maintenance.....	- -	\$1,132,375	\$1,132,375
2. Management and collection service.....	- -	456,192	456,192
3. Administrative expenses.....	- -	411,433	411,433
Total appropriation.....	- -	2,000,000	2,000,000

WORK UNDER THIS APPROPRIATION

General.--- The purpose of this appropriation is to administer, maintain, and operate those resettlement projects and rural rehabilitation projects for resettlement purposes which have been completed or are now in the process of being completed and for which funds have been provided.

1. Technical Services and Supervision of Land Development and Property Maintenance.--- The current construction and development program, which is virtually completed, consists of more than 140 projects located throughout the continental United States, providing homesteads for approximately 15,000 families. In order to protect the Government's investment in these units, a constant and thorough maintenance of physical properties is necessary. This



includes both normal repairs and the training of occupants in keeping of their land and homes, in order to prevent deterioration of properties in which the Government has an equity.

The work involves the employment of a skilled maintenance staff, including technicians, clerical help, and other assistants. This group, together with project managers and other field employees, is responsible for the proper maintenance of more than 30,000 structures -- including homes, farm buildings, and community buildings -- in addition to roads and other improvements.

2. Management and Collection Service. -- In order to obtain the greatest possible return on the funds invested in the resettlement projects, it is necessary to maintain a constant and efficient management, through project managers and other skilled personnel, together with clerical help. This staff is responsible for prompt collection of monthly rents and/or payments toward purchase of the individual farms and homes; the execution of rental, lease, and purchase contracts; and the execution of utility agreements and contracts.

3. Administrative Expenses.--- The purpose of this project is to carry on the various administrative activities incident to the maintenance and management of those resettlement projects which have been or are being completed, including legal, fiscal and business services, and departmental and field supervisory personnel.

(c) LAND UTILIZATION AND RETIREMENT OF SUBMARGINAL LAND

Appropriation Act, 1939..... \$5,000,000 (a)
 Budget Estimate, 1940..... 5,000,000 (b)

(a) In addition, the unexpended balance (\$8,188,393) of the amount provided by Third Deficiency Appropriation Act, 1937, for this purpose for the fiscal year 1938 was reappropriated for 1939.

(b) In addition, the unexpended balance of the 1939 appropriation, if any, to be reappropriated for 1940.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Increase or decrease
1. Development of land conservation and utilization programs.....	\$333,876	\$1,222,687	\$995,500	- \$227,187
2. Improvement, protection, and supervision of land acquired.	476,190	2,019,801	1,615,000	- 404,801
3. Acquisition of land.....	1,001,541	* 9,945,905	2,389,500	- 7,556,405
Total obligation.....	1,811,607	13,188,393	5,000,000	- 8,188,393(1)
Unobligated balance 1938, reappropriated for 1939.....	+ 8,188,393	- 8,188,393	- -	+ 8,188,393
Total appropriation...	10,000,000	5,000,000	5,000,000	- -

* Includes \$450 transferred to Bureau of Standards, Department of Commerce.

DECREASE

(1) While there is an apparent decrease of \$8,188,393 in funds available under this item for 1940, this reduction represents the amount of the unexpended balance of 1938 funds reappropriated for use in 1939. This reduction will be met by curtailment of all phases of the program both in the field and in Washington.

CHANGE IN LANGUAGE

This paragraph has been amended by striking out the language "and the amount appropriated for this purpose for the fiscal year 1938 (Third Deficiency Appropriation Act, fiscal year 1937), remaining unobligated on June 30, 1938, shall continue available to June 30, 1939," and inserting in lieu thereof "together with the unexpended balance of the appropriations made under said Act for the fiscal year 1939." This change is proposed to make available for expenditure in the fiscal year 1940 any unexpended balance of 1939 funds.

WORK UNDER THIS APPROPRIATION

General.-- The purpose of this appropriation is to carry into effect the provisions of Title III of the Act entitled "An Act to create the Farmers' Home Corporation, to promote more secure occupancy of farms and farm homes, to correct the economic instability resulting from some present forms of farm tenancy, and for other purposes", approved July 22, 1937.

Title III provides for the development of a program of land conservation and land utilization, including the retirement of lands which are not primarily suitable for cultivation. The work aims to correct maladjustments in land utilization, prevent their recurrence, insure sound methods of utilization and an efficient pattern for occupancy of land, and thereby to "assist in controlling soil erosion, reforestation, preserving natural resources, mitigating floods, preventing impairment of dams and reservoirs, conserving surface and subsurface moisture, protecting the watersheds of navigable streams and protecting the public lands, health, safety, and welfare".

Responsibility for the development of a program of land conservation and utilization has been assigned to the Bureau of Agricultural Economics and the responsibility for the acquisition, improvement, protection, and administration of submarginal land as provided for in Title III has been assigned to the Soil Conservation Service.

The work under this appropriation is conducted under three projects, as follows:

1. Development of Land Conservation and Utilization Programs. -- Under the provisions of Title III the Secretary of Agriculture is authorized and directed to plan and carry into effect a broad program for conserving land resources and utilizing land to the best advantage. To accomplish this objective, the Secretary is empowered "to cooperate with Federal, State, Territorial, and other public agencies in developing plans for a program of land conservation and land utilization, to conduct surveys and investigations relating to conditions and factors affecting, and methods of accomplishing most effectively, the purposes of this title, and to disseminate information concerning these activities".

The development of such a national coordinated program involves, first, the examination and classification of the various types and classes of land according to their best economic, long-time use, taking into account not only soils, climate, and topography, but also their adaptability to different uses, their potential income capacity, the standard of living which they will support, excessive dependence of the present occupants upon public relief and other types of public assistance, and the ability or inability of the lands to support roads, schools, etc., as evidenced by chronic tax delinquency and excessive county and State aids in proportion to taxes collected. This economic land-use classification is an essential basis for the formulation of a national program of land use, as required in the Act.

The second step is to determine what forms of public action will best serve to bring about and maintain those uses of land shown to be desirable by the economic land-use classification mentioned above. The measures to adopt and encourage, in cooperation with State and local agencies, will vary with different locations and situations. Such measures may involve Federal and State purchase, State and local public ownership through modification of existing tax reversion laws, rural zoning, cooperative grazing districts, soil conservation districts, guidance in the more judicious use of public and private credit, improvement of farm leasing arrangements, or other factors. The problem of conserving our land resources and insuring their employment in those uses which will protect them from destruction and at the same time permit them to make their greatest contribution to the public welfare requires that all the feasible measures for effecting sound types of land use be considered and each given its proper place in a national program of land conservation and land utilization. The effectiveness of Federal land purchase and retirement specifically authorized by the Act can be multiplied many times when supplemented by complementary measures such as those enumerated above.

Third, the work under this project supplies an essential basis for the coordination of Federal and State land conservation, land utilization programs of action, and the application of agricultural policies. Some of the means for preventing or eliminating the misuse of land fall within the domain of autonomous State action and many States have become conscious of the land-use problem within their boundaries and have undertaken the formulation of policies and programs designed to correct land misuse. The Federal Government, likewise, has developed such policies as the program under the Soil Conservation and Domestic Allotment Act, the Farm Tenant Loan policy, the Rehabilitation program, various forest policies, the Soil Conservation program, and the various Farm Credit policies and programs for conservation of wildlife. All these policies and programs depend upon and presuppose a broad program of land utilization. The attainment of the objective of a national program of land conservation and land utilization will tend to assure more adequate coordination of the various Federal programs and policies, and of these with the policies adopted by the States. The formulation of a broad program of land utilization to fit the various types of soil, the climatic differences, and the varied and constantly changing economic conditions in various parts of the

Nation can be effectively achieved only by a close cooperation of Federal, State, and local governments. The Department of Agriculture has joined in an agreement with the Association of Land Grant Colleges, representing the agricultural education, research, and extension agencies of the several States, whereby there may be established within any State an advisory and coordinating committee, including Federal and State representatives, in order that the Federal and State programs of land conservation, land utilization, and land-use adjustments may become a truly coordinated program of joint endeavor. Through these committees consideration will be given to the problems of land conservation and the kind of land-use adjustments required in each State in the interest of sound land conservation and land utilization. Land-use adjustment and land conservation programs of the Department of Agriculture may then be conducted in each State with the guidance of the findings of the committees in a way that will assist in the achievement of a coordinated program with objectives acceptable to State and Federal agencies. To assist in realizing this portion of the objective, offices of land-use planning, under the general direction of the Department in Washington, will be maintained in practically all the States, charged with the responsibility of participating with these committees in the formulation of goals of land-use adjustment and in the coordination of the Federal program with those of the States, and of the State programs with that of the Federal Government, and of assisting in giving effect to such programs by endeavoring to secure the application of measures which will attain the desired objectives. It is proposed, moreover, to extend this machinery of land-use planning into the smallest localities by the establishment under the auspices of the State Committees of community and county land-use planning committees. These will bring to bear on the process of planning the knowledge and practical judgment of farmers and other people close to the land but with assistance from technical specialists as may appear necessary. Thus the process will be essentially democratic.

The broad coordinated program of land utilization thus developed will also provide a foundation for the action programs of the Soil Conservation Service, the Agricultural Adjustment Administration, the Forest Service, the Biological Survey, the Bureau of Public Roads, the rural rehabilitation and tenancy work of the Farm Security Administration, and the Department's work on Flood Control and Water Facilities, as well as for the action programs of such extra-departmental agencies as the Farm Credit Administration and the Rural Electrification Administration.

2. Acquisition of Land. -- The program of acquisition is widely distributed throughout the United States, and areas of purchase are located in all except nine of the States of the Union. Under the 1938 and 1939 programs it is expected that options will be accepted for approximately 2,100,000 acres. From the appropriations for these two years provision had been made for the purchase price of this acreage and that portion of the acquisition expenses to be incurred prior to June 30, 1939, in the process of clearing titles and effecting payment to vendors for these lands. Expenditures for completion of title clearance on projects established prior to the passage of this Act, and which were transferred from the jurisdiction of the Farm Security Administration and placed by executive order under the provisions of Title III, also had to be made from these

funds. Although options for approximately 2,100,000 acres probably will be accepted in 1938 and 1939, title to only about 850,000 acres will be vested in the Government prior to June 30, 1939, in view of the time required to complete the necessary intervening steps. On the basis of the length of time normally required to complete purchase, it is expected that about 50 percent of the total costs of acquisition will be incurred by June 30, 1939, for title clearance in connection with options already accepted and to be accepted prior to that date.

In addition to the completion of purchases of land for which obligations will have been entered into prior to July 1, 1939, the program provides for the initiation of purchase during the fiscal year 1940 of approximately 308,000 acres of land at an estimated average cost of \$4.25 per acre. Land purchases contemplated in 1940 estimates will consist chiefly of extending or "blocking out" areas approved in 1938 and 1939.

Expenses for acquisition for 1940 will involve the completion of acquisition work on virtually all the tracts for which options were accepted in 1938 and 1939, the appraisal and acceptance of options on land to be optioned in 1940, and the completion of title clearance and payment for a substantial proportion of the 1940 acreage. During the fiscal year 1940 the Government will probably complete title clearance to approximately 50 percent of the acreage purchased for that fiscal year. The final stages of title clearance work on the remaining 50 percent will therefore carry over into the fiscal year 1941.

3. Improvement, Protection, and Supervision of Land Acquired. -- Lands acquired in these submarginal areas should be put in condition to make them serviceable for the uses to which they are adapted. This involves such activities as demolition of buildings no longer required, fencing, establishment of boundary markers, seeding and improvement of lands for pasture utilization, provision of wells, reservoirs, etc., to supply needed water, construction of the necessary buildings, roads, and trails requisite for the future administration of the projects, etc. During the current year, in addition to funds from the appropriation under Title III of the Bankhead-Jones Farm Tenant Act, there has been allotted, mainly for the development of lands acquired under the land utilization program established prior to the passage of Title III of the Bankhead-Jones Farm Tenant Act, a total of \$9,350,205 from Title I and Title II of the Emergency Relief Act of 1939 for improvements on such lands. The amount expended under the regular appropriation during 1939 is comparatively small because of the availability of supplemental funds from the Works Progress Administration.

The lands being acquired in 1939 will have reached the stage in 1940 when it will be necessary to provide the types of improvement mentioned above.

By Executive Order, approximately 8,143,000 acres acquired under the land utilization program prior to the passage of the Bankhead-Jones Farm Tenant Act have been transferred to the Secretary of Agriculture for administration under the provisions of Title III of the Bankhead-Jones Farm Tenant Act. A considerable number of the projects comprising these lands are being transferred for administration to the Forest Service and the Bureau of Biological Survey and others are being leased to the States to be administered by them. However, approximately 4,000,000 acres, with the

possibility of approximately 600,000 additional acres, will be administered under this project. In addition to the above, management and administration will be required on a large part of the 850,000 acres to which title will be obtained during 1938-1939. The greater part of the acreage to which title will be acquired during 1940 will require management and administration before the end of that fiscal year.

A portion of the allotment under this project is required for the making of detailed administrative plans for the areas in which land acquisition and development are carried on, including particularly the selection of tracts for purchase with a view to implementing an adequate program of land-use adjustment and the determination of what specific improvements will best contribute to such a program.

PASSENGER-CARRYING VEHICLES

The estimate contemplates the replacement of 27 worn-out station wagons at an average net cost of \$800 each and 5 other passenger-carrying cars at an average net cost of \$500 each, a total of \$24,100. A total of 130 station wagons and 55 other passenger cars are on hand at the present time, and it is estimated that during 1940 it will be necessary to replace 27 of the station wagons and 5 of the other cars. The vehicles to be replaced will all be more than five years old in 1940.

The use of passenger-carrying vehicles is practically indispensable for the proper conduct of the varied activities of the land-utilization program throughout the country. The replacements contemplated in these estimates are needed to carry on the necessary work of the program and, unless these replacements can be made, employees will either have to use common carriers or personally-owned automobiles. The common carrier is not well suited to this activity, since the work is generally performed in areas where public transportation is inadequate. The use of personally-owned cars by reimbursement is not economical where extensive and continuous operation is involved, such as is true in this case.

EMERGENCY RELIEF, AGRICULTURE

(For Loans, Relief, and Rural Rehabilitation)

Appropriation, 1939, Sec. 1 (3),
 Emergency Relief Appropriation
 Act, 1938.....\$175,000,000 (a)
 Budget Estimate, 1940..... (b)

(a) Together with unobligated balances (estimated at \$22,804,714) from allocations made available to Farm Security Administration under the Emergency Relief Appropriation Act of 1937 and Public Resolution 80, 75th Congress; total available, 1939, \$197,804,714. Allocations for these purposes in the fiscal year 1938 under the Emergency Relief Appropriation Act of 1937 and similar prior-year funds aggregated \$180,773,627, of which \$157,968,913 was actually obligated in 1938, leaving a balance of \$22,804,714 available for reappropriation in 1939. The obligations incurred in 1938 and estimated for 1939 are indicated in the project statement which follows.

(b) The omission of this item from the 1940 Budget, as explained on page A95 thereof, contemplates its consideration as a feature of such emergency relief measure as may be proposed for 1940.

PROJECT STATEMENT

Projects	1938	1939 (Estimated)
1. Rural rehabilitation loans.....	\$70,562,041	\$125,000,000
2. Rural rehabilitation direct relief.....	23,319,121	33,165,200
3. Rural rehabilitation services and assistance:		
(a) Farm and home management assistance.	7,026,169	9,931,990
(b) Investigation of applications and making, collecting, and servicing loans and grants.....	4,461,263	6,149,800
(c) Voluntary farm debt adjustment.....	1,297,662	1,841,778
Total, Project 3.....	12,805,094	17,923,568

Projects	1938	1939 (Estimated)
4. Rural rehabilitation projects, including technical services,.....	\$23,224,759	\$4,998,816
5. Migratory labor camps,.....	1,095,308	5,192,550
6. Water utilization projects, including technical services,.....	- -	5,000,000
7. Administrative expenses,.....	8,766,344	6,524,580
8. Land utilization projects, including technical services,.....	13,196,246	- -
Total obligations,.....	157,968,913	197,804,714
Balance of 1938 allotment reappropriated for 1939,.....	+ 22,804,714	- 22,804,714
Total appropriation or allotment..	180,773,627	175,000,000

WORK UNDER THIS APPROPRIATION

General.-- The purpose of rural rehabilitation is to make loans to farm owners, farm tenants, farm laborers, sharecroppers, and others who obtain, or who recently obtained, the major portion of their income from farming operations and who cannot obtain adequate credit on reasonable terms from any lending institution, so as to enable such eligible families to acquire livestock, farm equipment, supplies, and other farm needs (including improvements and repairs to real property); to permit the refinancing of chattel mortgage indebtedness and family subsistence and medical care; to provide direct relief to eligible families in rural areas for subsistence purposes; to assist in the voluntary adjustment of indebtedness between farmers and their creditors; to develop good agricultural land previously acquired by the United States into economic farm units for lease or sale to eligible farm families; to develop and maintain camps for the relief of migrant agricultural workers; to provide for a water facilities program for water conservation, dams, reservoirs, pipe lines, well digging and drilling, and other facilities for water storage or utilization in furtherance of rural rehabilitation and relief to needy persons; to furnish technical services and guidance in sound farm and home management practices; and to provide personnel and facilities for the administration of these activities in the District of Columbia and elsewhere. Cooperation is maintained with the Interior Department to assist in facilitating certain phases of this program on Indian reservations and in Puerto Rico and the Virgin Islands, and funds are transferred for this work as shown in the Budget schedules.

1. Rural Rehabilitation Loans.-- The purpose of rural rehabilitation loans is to enable low-income and destitute farm families to support themselves through continued farming by extending credit on the basis of acceptable farm and home plans. Farm owners, farm tenants, farm laborers, sharecroppers, and others who obtain, or have recently obtained, part of their income from farming but who cannot obtain adequate credit from other lending agencies, are eligible for these loans.

Rehabilitation loans enable low-income farmers to purchase farm and home equipment, workstock, and livestock necessary for operating needs. These loans also enable farmers to make improvements and repairs on real property, to refinance indebtedness, or to meet subsistence needs.

The immediate object of rehabilitation loans is to aid the farmer to continue planting for the support of himself and his family; the ultimate object is a more stable farm economy.

Funds for the current fiscal year (1939) for this project are being used to make initial rural rehabilitation loans to prospective rehabilitation clients, many of whom were receiving direct relief, and to make supplemental loans to established rehabilitation clients. The entire allotment of \$125,000,000 to this rehabilitation-loans project is being used for the principal amount of the loans.

It is estimated that more than one million low-income farm families are in need of this assistance. Of these, only about one-half will have received aid through rural rehabilitation loan funds prior to 1940.

Rural rehabilitation loans are, with few exceptions, small short-term loans of from two to five years and generally call for repayments during the period of the loan. There is set forth below a table for the fiscal years 1938, 1939, and 1940, showing the amounts of both principle and interest which have been, or which it is expected will be, collected on rural rehabilitation loans. The estimated collections for the fiscal years 1939 and 1940 take into consideration the additional rural rehabilitation loans, both initial and supplemental, which will be made during the balance of the fiscal year 1939 from emergency funds which are now available. On June 30, 1937, of the loans made as of that date \$51,001,285 had matured and \$24,838,826 had been collected, or 48.7 percent. On June 30, 1938, of the loans made as of that date \$90,016,719 had matured and \$52,525,435 had been collected, or 58.5 percent. On September 30, 1938, of the loans made as of that date \$91,673,504 had matured and \$58,950,566 had been collected, or 64.3 percent. The percentage of collections of the amounts which have matured is gradually increasing, and it is expected that between 70 and 80 percent of the amounts which will mature will be collected.

Collections on Rural Rehabilitation Loans

<u>Year</u>	<u>Principle</u>	<u>Interest</u>	<u>Total</u>
1936	\$991,875	\$9,939	\$1,001,814
1937	22,089,409	923,128	23,012,537
1938	25,603,437	1,220,723	26,824,160
1939 (estimated)	26,000,000	1,500,000	27,500,000
1940 (estimated)	60,000,000	4,000,000	64,000,000

2. Rural Rehabilitation Direct Relief.-- Direct relief under the rural rehabilitation appropriation is extended not only to farm families who are the victims of natural catastrophes, such as drought or flood, but to indigent families living in rural areas who cannot obtain aid from other sources and who, but for these emergency grants, might suffer from hunger or disease. Past experience has shown that major catastrophes occur somewhere in the country every year. These cash grants cease when the families can begin their own rehabilitation or can be assisted through rehabilitation loans based on farm and home plans. Cash grants of direct relief are administered on investigation and determination of need in individual cases.

3. Rural Rehabilitation Services and Assistance.--The work under this project is of the three types listed below:

(a) Farm and Home Management Assistance: The nature of the credit advanced to rehabilitation borrowers makes necessary farm and home management assistance which will insure the best use of the rehabilitation loans. This assistance is equal in importance to the actual loan in effecting permanent rehabilitation. Farm and home management supervisors work personally with each borrower and his wife to determine how the rehabilitation loans shall be most judiciously expended and promptly repaid. They cooperate with the clients in the purchase of appropriate equipment, livestock, fertilizers, and other operating goods; give regular and periodic assistance to clients in planning management practices, including land use, labor use, agricultural conservation, and soil-erosion control; advise the use of certified seed, purebred sires, high-analysis fertilizers, and feed rations; advise on livestock management, crop cultivation, feed production, and gardening; also on the home production, preparation, and conservation of meat, eggs, vegetables, and milk, on clothing preparation and on health and sanitation; and regarding participation in group and cooperative services.

The funds for this project are being expended for field salaries for regional and State personnel who supervise district and county supervisors in the technical phases of farm and home management and group service assistance to borrowers; for district and county farm and home supervisors; for necessary clerical help; for travel of regional and State personnel engaged in technical supervision of district and county farm and home management supervisors; for travel of district and county farm and home supervisors in giving farm and home management and group service assistance to borrowers through farm and home visits; and for other incidental expenses, including office facilities, equipment, and supplies.

(b) Investigation of Applications and Making, Collecting and Servicing Loans and Grants: To comply with the provisions of executive, departmental, and administration orders defining rural rehabilitation, it is necessary to investigate the need and eligibility of each farm family applying for a loan or grant; to prepare a farm and home plan or a budget to be used as a basis for such a loan or grant and as a guide in the most effective use of the loan by the farmer and his family; to inspect leases for terms of tenure and search county records for liens and mortgages taken to secure such loans; to service and collect repayments on loans when due from the proceeds of crops, livestock, and livestock products when harvested or marketed; to reinvestigate each

borrower on the proposed renewal or extension or supplementing of such loan or grant at the expiration of the period for which originally made; to prepare notes, mortgages, and other evidences of indebtedness offered by borrowers; to repossess and sell chattels and crops of borrowers who abandon their farm operations or who fail to comply with the terms of their farm plans, budgets, or loan agreements; to make receipts for and remit to the Treasury loan repayments and proceeds of sale of repossessed chattels and crops; and to account for, record, and audit such transactions in county, regional, and national offices.

Funds for this project are being expended for field salaries for regional and State personnel who supervise district and county personnel; for district and county employees directly engaged in the work of investigating applications for assistance, in obtaining and recording of security instruments, in effecting renewals and extensions, in making collections and receipts and remitting repayments to the Treasury, and in making necessary repossessions and resale of mortgaged property; for salaries of necessary clerical help; for travel performed by regional and State personnel engaged in supervising district and county employees and travel performed by district and county employees in visiting borrowers for the purpose of carrying out the work described above; and for other incidental expenses, including office facilities, equipment, and supplies.

(c) Voluntary Farm Debt Adjustment: Voluntary farm debt adjustment activities are carried on between the farmer debtors and their creditors in an effort to bring down excessive debts within the farmers' ability to pay and to give creditors an opportunity of realizing some return on their investment. Debts contracted during the era of high prices for produce and farm land could not be met following the depression of prices and became frozen assets to the creditor. Adjustment of such debts, which include grocery and clothing bills, medical and veterinary bills, feed, fertilizer, and equipment bills, and chattel and real estate mortgages or interest thereon, is necessary in many cases in order to make a sound loan to a borrower or place a farmer in a position where he can operate his farm without danger of foreclosure. Adjustment of these debts is effected voluntarily by extension, reduction, refinancing, or otherwise, according to the farmer's ability to pay as determined by his individual circumstances.

These funds are being expended for field salaries for personnel engaged in supervising farm debt adjustment activities in regional, State, and local offices; for out-of-the-pocket expenses for more than 11,500 committee members in approximately 2,900 counties; for travel for personnel engaged in directing the activities of the local committees through personal visits, assisting district and county personnel in bringing debtors' cases before the committees, and visiting creditors when necessary; and for other incidental expenses, including office facilities, equipment, and supplies.

4. Rural Rehabilitation Projects, Including Technical Services.-- The purpose of this project is to develop good agricultural land previously acquired by the United States into economic farm units for the rehabilitation of and lease or sale to eligible farm families; and to make certain additions to and alterations in the rural resettlement and suburban resettlement projects found necessary upon the completion of those projects. On several of the subsistence homesteads projects, which were built for part-time industrial workers,

the residents have not yet secured adequate part-time employment, thereby making it necessary for the Government to supplement their income by providing useful land development work projects on which these stranded industrial workers are employed.

5. Migratory Labor Camps.-- The purpose of this project is to afford migratory agricultural workers an opportunity to live in sanitary surroundings by building camps where migrant workers may live for a limited period at minimum cost; to aid migrants in finding a stable base for home life; to restore a form of community life; and to check the spread of disease, which is ever-present in squatter camps. Migratory labor camps provide each worker with a platform on which to pitch his tent and include such community facilities as a utility building, an isolation unit, assembly room and nursery, first-aid room and child clinic, recreation hall, kitchen, laundry, and sanitary units. Present facilities will accommodate approximately 10,000 migratory workers, including their families. New camps being developed during the current fiscal year will shelter approximately 3,000 additional workers, including their families.

It is estimated that there are between 200,000 and 350,000 migratory agricultural workers in the United States, with very few migrants earning as much as \$450 a year. Living conditions are extremely bad, with attendant evils of poverty and disease. These conditions present serious problems to both the workers and the areas in which they temporarily established themselves. The migratory labor camps constructed and operated under this program will in part alleviate this condition and, in addition, will demonstrate what can be done further along this line by private growers and State and Federal agencies.

6. Water Utilization Projects, Including Technical Services.-- The purpose of this project is to provide needed water facilities to farm families by the proper use and control of the water resources of the semi-arid areas, principally in the western and southwestern portions of the United States. Facilities for water storage, conservation, and utilization are being provided through the construction and erection of dams and reservoirs, installation and laying of pipe lines, and digging and drilling of wells. This work requires the services of construction personnel, including engineers and necessary clerical and labor assistance. Employment is furnished needy farm laborers, tenant farmers, needy farm owners, and relief laborers living in the area wherein the work is being done.

(For a more detailed statement of the water-facilities program paid from the appropriation "Emergency Relief, Agriculture," see the separate section "Water Facilities, Arid and Semi-Arid Areas," under the caption "Work under this appropriation," pages 647-649 of these notes.)

7. Administrative Expenses.-- The purpose of this project is to carry on the various administrative activities incident to the rural-rehabilitation program. The salaries and expenses of all personnel located at the seat of the Government and of all personnel located in the regional and field offices working on rural rehabilitation, including administrative, technical, and legal personnel, are included under this project.

FARM SECURITY ADMINISTRATION

(a) FARM TENANCY (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation for farm ownership loans under Title I of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this Title, has been included in these notes under the heading "Farm Tenant Act". (See page 626)

(b) LIQUIDATION AND MANAGEMENT OF RESETTLEMENT PROJECTS (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation made under Title IV of the Bankhead-Jones Farm Tenant Act. A complete statement, covering all funds under this Title, has been included in these notes under the heading "Farm Tenant Act". (See page 630)

(c) EMERGENCY RELIEF, AGRICULTURE (FARM SECURITY ADMINISTRATION)

This schedule accounts for the allotment to the Farm Security Administration from the appropriation carried in the 1938 Emergency Relief Act for Loans, Relief, and Rural Rehabilitation. A complete statement covering all funds under this item, has been included in these notes under the heading "Emergency Relief, Agriculture". (See page 638)

(d) GREAT LAKES EXPOSITION

This schedule covers the balance (\$3.00) in 1938 of funds transferred to the Farm Security Administration for the purpose indicated. This balance was retransferred to the Great Lakes Exposition.

(e) GREATER TEXAS AND PAN AMERICAN EXPOSITION

This schedule covers the balance (\$666) in 1938 of funds transferred to the Farm Security Administration for the purpose indicated. This balance was retransferred to the Greater Texas and Pan American Exposition.

TRUST ACCOUNT

(f) PAYMENTS IN LIEU OF TAXES AND FOR OPERATION AND MAINTENANCE OF RESETTLEMENT PROJECTS

This schedule covers funds provided for by Section 3 of the Act of Congress approved June 29, 1936 (40 U.S.C. 431-434), under which receipts derived from the operation of any resettlement project or any rural rehabilitation project for resettlement purposes are covered

into the United States Treasury and constitute a special fund, which is available to the Farm Security Administration for payments in lieu of taxes to States, political subdivisions, and local taxing units and for any other expenditures for operation and maintenance (including insurance) of such projects. The receipts made available are used, as provided for under the Act, to make payments in lieu of taxes and to defray the costs of insurance and special and miscellaneous expenses on resettlement projects and rural-rehabilitation projects for resettlement purposes. Receipts and obligations hereunder for 1938 and estimated for 1939 and 1940 are as follows:

	<u>Receipts</u>	<u>Obligations</u>	<u>Unobligated balance</u>
1938.....	\$665,770	\$145,915	\$519,855
1939.....	1,200,000	793,549	406,451
1940.....	1,600,000	793,549	806,451

TRUST ACCOUNT

(g) STATE RURAL REHABILITATION CORPORATION FUNDS

This schedule covers funds arising out of agreements with State rural rehabilitation corporations. Under the rural-rehabilitation program of the Federal Emergency Relief Administration, providing grants to the States, there was established in a majority of the States (during 1934 and 1935) a State Rural Rehabilitation Corporation to administer the rural-rehabilitation program in each State. As of November 15, 1938, all but four of these corporations, acting through their respective directorates, had entered into individual agreements with the United States Government, whereby their assets and liabilities were transferred in trust to the Government to be made available as a revolving fund for rural-rehabilitation purposes within the respective States. In addition, the Government, as managerial agent, administers the assets of two of the four excepted corporations.

The assets transferred and all assets subsequently collected on behalf of the corporations have been deposited in special trust fund accounts in the Treasury of the United States and have been administered by the Farm Security Administration, on behalf of the Secretary of Agriculture, in accordance with the terms of the transfer agreements. During the fiscal years 1937, 1938, and the first part of the fiscal year 1939 the Farm Security Administration has endeavored to convert excess assets of the corporations into cash and to collect as much as reasonably possible on outstanding loans and other accounts receivable. Funds thus made available for rural-rehabilitation purposes have been used for the payment of outstanding obligations and new obligations incurred for the construction and development of corporation property and for making loans to corporation clients. The same disposition will be made of funds received during the fiscal year 1940.

During the fiscal years 1937, 1938, and the first part of the fiscal year 1939 the asset items more easily liquidated were liquidated and the proceeds therefrom, together with the previously acquired balances, are being used for rural rehabilitation. A large portion of these rural-rehabilitation activities require long-term investment of corporation funds. It is estimated that the collections during the fiscal year 1940 will be considerably under those during the fiscal year 1939 and will be principally derived from collections of 3 to 5 year loans maturing in part during the latter part of the fiscal year 1939 and during the fiscal year 1940, collections of rents and other income from corporation property, and collection of the more difficult delinquent accounts not collected during the fiscal years 1937, 1938, and 1939. All amounts collected during the fiscal year 1940, plus the unencumbered balances from preceding years, will be available for the servicing of corporation accounts, the making of a minimum of supplemental loans to already existing corporation loan clients, the management and maintenance of corporation property already constructed and developed, and other rehabilitation purposes. Obligations incurred under this fund in 1938 and amounts estimated for 1939 and 1940 are:

1938.....	\$3,693,992
1939.....	8,941,530
1940.....	8,941,530

WATER FACILITIES, ARID AND SEMI-ARID AREAS

Appropriation Act, 1939.....	\$500,000
Budget Estimate, 1940.....	<u>500,000</u>

PROJECT STATEMENT

Projects	1938	1939	1940
		(Estimated)	(Estimated)
Development of water facilities, arid and semi-arid areas.....	- -	\$500,000	\$500,000

CHANGE IN LANGUAGE

It is proposed to change the language of this item by inserting the words "for personal services" in the clause limiting the amount that may be expended in the District of Columbia, **in order that this limitation may conform with that of other appropriations for the Department.**

WORK UNDER THIS APPROPRIATION

The water-facilities program is administered under the authority of the Act approved August 28, 1937 (16 U.S.C. 590r - 590x), known as the Pope-Jones Water Facilities Act. The Act was a legislative outgrowth of the recommendations of the President's Great Plains Committee and gives the Department of Agriculture authority essential to rounding out the land conservation and utilization program in the arid and semi-arid areas of the United States. When used in conjunction with other permanent Departmental programs (such as soil conservation, flood control, agricultural adjustment, crop insurance, and sub-marginal land purchase), the water facilities program can go far in stabilizing western agriculture and making the tenure of farm operators more secure.

In administering the water-facilities program the Department is following the instructions contained in Section 5 of the Water Facilities Act, which provides that "the Secretary of Agriculture, in administering the provisions of this Act, shall utilize the officers, employees, and facilities of agencies within the Department of Agriculture whose functions are related to the program provided for in this Act, and may allot to such agencies or transfer to such other agencies of the Federal Government as he may request to assist in carrying out any of the provisions of this Act any funds available for the purposes of this Act." In compliance with this section, and in the interest of economy and efficient administration, the general planning aspects of the water-facilities program have been assigned to the Bureau of Agricultural Economics to be carried out in conjunction with its

general land-use work. The operating and construction phase of the program, in turn, has been assigned to the Soil Conservation Service to be handled by its field organization. The Farm Security Administration has been assigned the responsibility for servicing the loans under this program. This phase of the work will be carried out by the county rehabilitation supervisors in connection with their regular activities.

During the current year the water-facilities program is financed under regular funds by \$500,000 included for this purpose in the 1939 Agricultural Appropriation Act. Recognizing from the experience of the Farm Security Administration that many rehabilitation clients can accomplish their own economic reestablishment if they are provided with loans and technical help for the construction of small water facilities, \$5,000,000 has been allocated for the fiscal year 1939 from the \$175,000,000 provided by Sec. 1 (3) of the Emergency Relief Appropriation Act of 1938, for water conservation, dams, reservoirs, pipelines, well digging and drilling, and other small facilities for water storage and utilization, in furtherance of rural rehabilitation and relief to needy farm families. Of this amount, \$4,800,000 has been allotted to the Soil Conservation Service and the remainder (\$200,000) to the Bureau of Agricultural Economics, for use in carrying out the water-facilities program.

During the current fiscal year the Department is administering operations under the regular appropriation and the emergency appropriation according to policies which are essentially similar. The 1939 Agricultural Appropriation Act provides that "not to exceed \$50,000 of this appropriation shall be available for expenditure for any one project designed in whole or in part to benefit lands by the irrigation thereof and all project facilities and appurtenances which depend for their utility in whole or in part upon each other or upon any common facility shall be deemed one project, and the authority contained in said Act shall not be deemed to authorize the construction of any project not in accord with this limitation." The \$50,000 limitation on projects involving irrigation guarantees that there can be no conflict between this program and that of the Bureau of Reclamation. To avoid any possible conflict or duplication, however, the Department clears with that Bureau any project, regardless of size, which may be of concern to the latter organization. The Department has placed the same limitation of \$50,000 on all types of water facilities financed from the emergency relief appropriation.

In the interest of economy and efficiency the regular and emergency programs have been coordinated as a single undertaking. Work is actively going forward in the arid and semi-arid portions of the seventeen Western States. Most of the operations are being conducted on approved watersheds but demonstration water facilities have been authorized for at least ten additional counties of each of these States, thus permitting farm operators over a wide area to see at close range the benefits available from these water structures.

The water-facilities program is restricted to the following well-defined types of water utilization structures: (a) farm and stock ponds; (b) reservoirs; (c) wells, including repair thereof; (d) detention, retention, and diversion dams; (e) pumping installations, including windmills; (f) spring development; (g) water spreaders; (h) facilities for flood irrigation; (i) small

irrigation facilities, either for individual families or small groups of families, including rehabilitation of such facilities; and (j) facilities for recharging underground reservoirs.

The history of water utilization in the West is replete with examples of water developments that have been costly failures due to the lack of adequate economic and land-use planning. Under the water-facilities program careful planning is required to make a limited water supply serve the maximum number of families without promoting improper land and water use. Effective planning will prevent costly mistakes otherwise likely to occur and will permit construction and development to proceed more rapidly in future years. The Department, in consultation with the land-grant colleges, farmer planning committees, and other State and local agencies, has authorized more than sixty areas where general planning work has been undertaken sufficiently in advance to insure a sound local program and to expedite the installation and construction work. Planning is far enough advanced in forty of these areas to permit operations to go forward.

Under the operation phase of the program the Soil Conservation Service and the Farm Security Administration work directly with the farmers. Technical and legal service is provided by these agencies to all participants, both individual farmers and organized groups, such as irrigation districts, mutual water companies, community ditches, soil conservation districts, cooperative associations, and the like. Farmers who are unable to finance the construction of facilities from their own resources are given financial assistance in the form of loans. All cooperating farmers are required to make the maximum possible contribution to the cost of facilities through furnishing their own labor, equipment, and materials, in this way reducing the cost to them and permitting Federal funds to go farther and thus benefiting as many farmers as possible. Repayment is determined on the ability-to-pay principal over a period of time equal to the useful life of the facility but not to exceed twenty years. Repayment installments of principal and interest are adjusted to the income of each family and are not fixed on a uniform amortization basis.

The facility may be constructed in one of two ways. The Soil Conservation Service may install the facility and in return the farmer assumes a financial obligation to repay the cost thereof. In the alternative, he may borrow the money he needs and either let the work to a private contractor or buy the materials and do the work himself. In either case, Department representatives work out a farm management plan for the farmer and he must agree to carry out its provisions for proper water and land-use practices for a five-year period. The farmer is thus provided with a water facility and a plan of farm operations at no cost other than that for the labor and materials he does not furnish himself.

It is estimated that the total Federal expenditure of \$5,500,000 for water facilities during the fiscal year 1939, payable from both regular and emergency appropriations, will be supplemented by about \$2,000,000 contributed by farmers in the form of labor, equipment, and materials. It is estimated that probably as much as \$3,500,000 of the \$5,500,000 Federal expenditure will be repaid to the Government. Thus, the construction of \$7,500,000 worth of facilities is expected to result from a net Federal expenditure of \$2,000,000.

PASSENGER-CARRYING VEHICLES

The estimates for the fiscal year 1940 contemplate the purchase of twelve passenger-carrying automobile vehicles at a total cost of \$8,500, or approximately \$690 per car.

These vehicles will be needed by the Bureau of Agricultural Economics in making area plans for designated areas in which the feasibility of program operations are being studied and by the Soil Conservation Service in visiting farm operations, making detailed surveys and plans, and supervising and inspecting the actual construction operations located in the particular areas. It is estimated that by June 30, 1939, operations will be authorized in at least two to four areas in each of the seventeen arid and semi-arid States coming under the program. The areas will average approximately 500,000 acres in size, and two cars will be needed in each area for operations personnel.

The nature of water-facilities operations makes the use of passenger-carrying vehicles indispensable because traveling must be done mostly in areas not accessible by common carrier. The transportation cost records of the Soil Conservation Service demonstrate that its personnel operates Government-owned automobiles at an average cost of 3.1 cents per mile. This figure includes original cost as well as depreciation, repairs, and direct operating expense. It is expected that these vehicles will be driven an average of 15,500 miles per year and will average 50,000 miles as the total distance operated between time of purchase and time of disposal. Departmental experience has proved that employees' use of their personally-owned vehicles on official business, subject to reimbursement on a mileage basis, is less economical for project work in extensive areas **than** similar use of Government-owned vehicles.

BELTSVILLE RESEARCH CENTER

Appropriation Act, 1939.....	\$85,000
Budget Estimate, 1940.....	90,000
Increase.....	<u>5,000</u>

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Increase
Beltsville Research Center..	\$74,500	\$85,000	\$90,000	+ \$5,000 (1)
Unobligated balance.....	500	- -	- -	- -
Total appropriation....	75,000	85,000	90,000	+ 5,000

INCREASE

(1) An increase of \$5,000 is recommended in this item for the purchase of additional farm equipment and trucks. During the past two years three bureaus of the Department, namely, the Soil Conservation Service, Biological Survey, and Forest Service, have started operations at the Center on an area of approximately 6,000 acres. The reimbursable work performed by the Center organization for the various bureaus carrying on research work at the Center was \$419,544 during 1938 as compared with \$259,060 in 1937 and \$188,047 in 1936. This large increase in work creates a demand for additional equipment, all of which must be purchased from Center funds, as reimbursement from the Bureaus covers only the actual cost of the work performed and not the purchase of new or the replacement of old equipment. It is impossible with the facilities available at present to perform the necessary services over the greatly increased areas. Due to the short time available each spring, preparation and cultivation of the land must be performed when weather conditions permit. To do this economically and efficiently there is urgent need for an increase in the available farm and truck equipment.

CHANGE IN LANGUAGE

It is recommended that the language of this paragraph be amended by insertion of authority to make payment from funds transferred from other Department agencies "to cover the cost of building construction, alteration, and repair performed by the Center in carrying out the purposes of such applicable appropriations."

This authority is needed to overcome an objection raised by the General Accounting Office. The appropriations from which reimbursement is made for the services performed by the Beltsville Research Center contains specific authority for the construction and repair of buildings, so that the change requested does not in any way broaden the scope of the work

now being done, but more fully describes it and specifically authorizes the Center as an instrumentality which may be used to do it.

WORK UNDER THIS APPROPRIATION

The funds provided under this appropriation are utilized primarily for the development and maintenance of general service facilities for the Center, such as water, fire protection, sewage disposal, power, telephones, and roads; the purchase of trucks and farm and shop equipment; general administration of the Center and maintenance of a cost-accounting unit, a guard service, a mail and trucking service, etc.

There are ten units of eight bureaus of the Department of Agriculture operating at the Center. Centralized management and control of the general service facilities provide major economies in maintenance and operation and permit the development of these facilities in accordance with general Department interest.

Nearly all the units at the Center are served by a general water distribution system which results in a material reduction in water costs and provides means of furnishing water should the well serving any particular unit fail. This central system also makes it possible to draw on a central water supply in case of fire. A fire-fighting unit, equipped with motor driven pumps, hose, and essential accessories, is operated by the central organization under a "volunteer" fire-fighting type of organization. A modern sewage-disposal system provides a degree of sanitation and protection impossible to secure in any other way and, in addition, produces a byproduct in the form of sludge that is used as fertilizer.

The consolidated purchase of electric power and distribution over a Government-owned system reduces the cost an average of about 60 percent. A central telephone switchboard with six trunk lines to Washington serves most of the units at a lower cost than would be possible for individual service, and the efficiency of the service has been far superior to that furnished by local rural party lines.

Adequate roads can be maintained at much less cost by a central organization than by each unit attempting to build roads, and a uniform program can be developed.

A central mechanical shop is maintained for the repair and construction of buildings and miscellaneous mechanical and shop work, and a farm unit raises feed crops and keeps the roadsides mowed. The actual work performed by these two units is collected for by reimbursement of the actual cost, but the purchase of new machinery and equipment for the use of these units is paid from the Center appropriation.

General supervision of other than technical activities, the handling of problems of business management and general operation, inter-bureau activities, and relations with the public are all provided by the Center organization.

An operating engineer service circulating at the Center between 4:00 p.m. and 8:00 a.m. on week days and a 24-hour service on Sundays is maintained. This service, through the regular inspection of equipment during the period when the regular personnel is not available, has proved extremely valuable. Two daily trips are made to the Department in Washington and around the Center for the delivery and pick-up of departmental mail. Truck service, transporting surplus materials produced by various units and picking up miscellaneous orders, is maintained, a minimum of two loads a day being required for this service.

The coordination of the service facilities of the Center has made possible considerable economies and much more efficient service than would have been the case had not such central service facilities been made available.

SUPPLEMENTAL FUNDS

(1) Direct Allotments

Projects	Estimated obligations, 1939	Estimated obligations, 1940
<u>Public Works Administration, Act of 1938:</u>		
Experimental building for large animals.....	\$112,000	\$48,000
Transfer swine unit to new area.....	48,150	5,350
Laboratory and administration building.....	400,000	100,000
Fencing, central heating, refrigeration, and service building, coal handling facilities, changes in electric and telephone distribution systems, and enlargement of shop facilities....	160,000	160,000
Improvement and extension of water system, including construction of wells, water-treatment and conditioning units; enlargement of facilities at grain and feed mill; construction of new surfaced roads and surfacing of some existing roads.....	95,400	46,000
Residences, garages, barn, greenhouse, and outside service facilities for the Bureau of Biological Survey.....	49,325	26,560
Construction of barns, hospital building, silos, and sheds; repair and remodeling of buildings and equipment, and construction of concrete driveway and fence posts for Bureau of Dairy Industry.....	71,780	28,320
Laboratory for pharmacology and vitamin work.....	422,500	227,500
Laboratory, residences, garages, workshop, water-supply distribution, sewage disposal, roads, landscaping, and gateway for the Forest Service	30,892	20,594

SUPPLEMENTAL FUNDS - Continued.

(1) Direct Allotments - Continued.

Projects	Estimated obligations, 1939	Estimated obligations, 1940
Public Works Administration, Act of 1938 - Cont'd.		
Cold-storage research laboratory.....	\$255,000	- -
Terracing, grading, tile draining land, seeding, soil survey, surfacing roads, stream control, water reservoir, construction of water areas for research with water plants, remodeling, painting, and repairing farmhouses and buildings, and construction of two farm storage buildings for Bureau of Plant Industry.....	20,300	\$15,500
Construction of cottage, utility building, garage, storage buildings, greenhouse, and lath house for the Soil Conservation Service....	9,300	6,200
Construction of greenhouses as a replacement of similar ones on Constitution Avenue, Bureau of Plant Industry.....	195,000	105,000
Central heating plant for horticultural field station.....	65,000	65,000
Construction of laboratory building and installation of equipment for fertilizer investigations.....	422,500	227,500
Construction of barns for the Bureau of Animal Industry.....	50,400	5,600
Total, Public Works Administration, Act of 1938.....	2,407,547	1,085,124
Emergency Relief Appropriation Act of 1938 (W.P.A.):		
Transfer swine unit to new area.....	8,580	- -
Fencing Beltsville Research Center.....	21,480	- -
Construction of dairy barns and animal hospital building; reconditioning and remodeling buildings; providing equipment, hay barn, open shed, silos, driveways, and fence posts.....	17,160	- -
Terracing, grading, tile draining land, seeding, soil survey, surfacing roads, stream control, water reservoir; construction of water areas for research with water plants; remodeling, painting, and repairing farmhouses and buildings; and construction of two farm storage buildings for Bureau of Plant Industry.....	51,480	- -
Laboratory for pharmacology and vitamin work.....	17,160	- -
Laboratory, residences, garage, workshop, water-supply distribution, sewage disposal, roads, landscaping, and gateway for the Forest Service.....	12,880	- -

SUPPLEMENTAL FUNDS - Continued

(1) Direct Allotments - Continued.

Projects	Estimated obligations, 1939	Estimated obligations, 1940
<u>Emergency Relief Appropriation Act of 1938 (W.P.A.)</u> Cont'd.		
Residences, garages, barn, greenhouses, and outside service facilities for Bureau of Biological Survey.....	\$12,880	- -
Laboratory and administration building with out-buildings.....	47,150	- -
Cold-storage research laboratory.....	8,580	- -
Improvement and extension of water system, including construction of wells, water-treatment and conditioning units; enlargement of facilities at grain and feed mill; construction of new surfaced roads and surfacing of some existing roads.....	68,630	- -
Construction of cottage, utility building, garage, storage buildings, greenhouse, and lath house for the Soil Conservation Service..	4,300	- -
Experimental building for large farm animals....	21,480	- -
Construction of central heating plant for horticultural field station.....	8,580	- -
Construction of laboratory building and installation of equipment for fertilizer investigations.....	12,880	- -
Construction of new greenhouses at horticultural field station.....	8,580	- -
Construction of cattle, sheep, and hog barn for Bureau of Animal Industry.....	8,580	- -
Administrative expenses.....	35,000	- -
Total, Works Progress Administration allotment.....	365,380	- -
Total, Direct Allotments.....	2,772,927	\$1,085,124

SUPPLEMENTAL FUNDS - Continued

(2) Indirect Allotments
(Financed through other Government Agencies)

Projects	Obligated, 1938	Estimated obligations, 1939	Estimated obligations, 1940
Civilian Conservation Corps (Act of June 28, 1937, and supplemental acts; allotment through War Department): Work of Civilian Conservation Corps in clearing land, fencing, constructing and maintaining roads, landscaping and forest work, tile drainage, and constructing physical improvements at the Beltsville Research Center.....	(a)\$35,952	\$188,800	\$118,800

(a) This represents actual expenditures from C. C. C. funds by the Beltsville Research Center for the period from May 16, 1938, to June 30, 1938, inclusive, the camps at the Center having been transferred on May 16, 1938, from the Bureau of Animal Industry.

FOREST ROADS AND TRAILS (a)

Appropriation Act, 1939	\$14,000,000
Budget Estimate, 1940	<u>12,000,000 (a)</u>
Decrease	<u>2,000,000</u>

(a) The 1940 estimates for Forest Roads and Trails are included in the Budget under the section "General Public Works Program".

The Hayden-Cartwright Road Act of June 16, 1936, authorized an appropriation of \$14,000,000 for each of the fiscal years 1938 and 1939. A similar Act, of June 8, 1938, authorized \$10,000,000 for the fiscal year 1940 and \$13,000,000 for the fiscal year 1941. The \$14,000,000 appropriated in the Agricultural Appropriation Act for 1939 included \$7,000,000, the balance of the amount authorized for the fiscal year 1938, and the remaining \$7,000,000 was part of the \$14,000,000 authorized for 1939, leaving \$7,000,000 of the 1939 authorization for later appropriation. The \$12,000,000 submitted in the budget for 1940 consists of the \$7,000,000 balance remaining unappropriated from the 1939 authorization, to complete the discharge of obligations incurred against that authorization, and \$5,000,000 of the \$10,000,000 authorized for 1940.

PROJECT STATEMENT

Project	:	1938	:	1939	:	1940	:	Decrease
Forest roads and trails:	:	\$12,500,000:	:	\$14,000,000:	:	\$12,000,000:	:	- \$2,000,000 (1)
	:		:		:		:	

DECREASE

(1) The estimate for the fiscal year 1940 for forest roads and trails has been decreased by \$2,000,000. The \$12,000,000 included in the budget estimate for 1940 represents the unappropriated balance (\$7,000,000) of the 1939 authorization, to complete the discharge of obligations incurred against that authorization, and \$5,000,000 of the \$10,000,000 authorized for 1940.

CHANGES IN LANGUAGE

The paragraph for Forest Roads and Trails carried in the budget for 1940 continues the language contained in the Agricultural Appropriation Act for 1939 with the following amendments:

(1) The citations of fiscal years and amounts pertaining to the authorization by fiscal years have been changed to make the language appropriate for the fiscal year 1940.

(2) The last proviso dealing with the completion of a storage building at Denver has been eliminated, since this construction will be consummated during

the current fiscal year.

WORK DONE UNDER THIS APPROPRIATION

This appropriation is made for forest roads and trails under the provisions of Section 23 of the Federal Highway Act of November 9, 1921. It is divided into two parts - the Forest Highway fund and the Forest Road Development fund. The Forest Highway fund is expended for roads necessary to the forests but of primary importance to the States, counties, or communities within, adjoining, or adjacent to the national forests in the highway systems of the States. The Forest Road Development fund is appropriated and expended for roads, truck trails, and trails of primary importance to the administration, protection, and utilization of the national forests.

The construction and maintenance of Forest Development truck trails and trails are subordinated to the requirements of the fire-control job of the Forest Service. All members of Forest Development survey, maintenance, and construction crews are subject to call for fire duty at all times, day or night. They are a back log for the regular fire-guard force, who are paid from the appropriation "National Forest Protection and Management" and for many forest areas constitute the sole fire-protection which will give the best possible placement of man power in bad fire country. Maintenance work is scheduled to coincide with the fire season and to open up areas of serious fire danger first. All crews are equipped with fire-fighting tools and emergency rations, are tied in by telephone or radio with forest supervisors' or rangers' offices, and are given training in fire-suppression methods in advance of the beginning of the fire season; and every crew is called on to assist in fire suppression from one to scores of times in a season.

The Act of June 16, 1936, provides that hereafter, one-third, but not less than \$3,000,000, of the appropriation made for any fiscal year for forest roads and trails for carrying out the provisions of Section 23 of the Federal Highway Act of 1921 may be expended for Forest Road Development projects. The balance of the appropriation is applied to Forest Highway projects.

COOPERATIVE FARM FORESTRY

Appropriation Act, 1939.....	- -
Budget Estimate, 1940.....	\$600,000
Increase.....	<u>600,000</u>

PROJECT STATEMENT

Projects	1939	1940 (Estimated)	Increase
1. Cooperation with States for extension activities in developing farm forestry.....	- -	\$100,000	\$100,000 (1)
2. Production and distribution of forestry planting stock from existing nurseries to farmers.....	- -	100,000	100,000 (2)
3. Farm forestry projects, including necessary investigations.....	- -	400,000	400,000 (3)
Total.....	- -	600,000	600,000 (4)

INCREASE

(1) An item of \$600,000 for cooperative farm forestry is included in the Budget estimate for 1940, to inaugurate the farm forestry program authorized by the Cooperative Farm Forestry Act of May 18, 1937. This Act, known as the Norris-Doxey Act, authorizes an annual appropriation of not to exceed \$2,500,000 to carry out a more effective farm forestry program in cooperation with individual farmers, land-grant colleges, State experiment stations, Federal-State forest nurseries, and State forestry agencies. The Department will not establish a new agency to administer this Act but will carry the program forward through the facilities of existing agencies.

Farm woodlands comprise nearly one-tenth of our total land area and nearly one-third of our total forest land area. Characteristically, they occupy lands unsuitable for any purpose other than growing forest products. Occurring as they do in agricultural sections, however, they generally have better soils than average forest land and have the important economic asset over most forest lands of proximity to farm and other forest-product markets. These manifest advantages generally have not been realized in tangible returns. Farmers are generally uninterested

and uninformed on the simple basic principles of woodland management and are at a disadvantage in raising their timber crop and marketing their woodland products. Vast numbers of farmers do not appreciate or recognize the potential source of income from their wooded farm areas.

Most farm woodlands are subject to overcutting, culling, burning, grazing, or a combination of these undesirable practices. The number of growing trees and the rate of growth have been reduced and the quality of the standing timber has been affected adversely. Large areas of farm woodlands in the South are producing only one-third to one-half of their productive capacity.

A well-rounded program of efficient use of farm lands includes the use of low-grade and submarginal lands as well as existing stands for the production of timber crops. Proper woodland use enables the farmer to employ his labor profitably throughout the year and provides him with a financial backlog. However, most farmers must be given assistance and advice if they are to secure a greater yield from their woodlands. Occupying more land than any other crop, farm woodlands should be managed to bring a return commensurate with their productive capacity. Depleted areas and hilly, eroding, and swampy lands not now in trees should be planted. Planting in suitable sections of the Great Plains, where existing tree growth is scant, is badly needed for crop, soil, and livestock protection, for fuel and fencepost production, for recreational use, and for water conservation. Increased productivity of farm woodlands will contribute to a greater and more stable farm income, to flood and erosion control, and, in some sections, to more stable forestry industrial employment. In the South half the raw material for the lumber industry and a very substantial part of the material for the paper industry are secured from farm woodlands, and the proper management of the farm timber resource in that region is a definite factor in its future prosperity.

Several factors have contributed to the present condition of farm woodlands. Many farmers have not known how to manage their woodlands, and information on this subject is not sufficiently accessible to them. Forest planting stock has not been obtainable in many States, and where it has been obtainable the supply has not been adequate to meet the demand. Furthermore, the management of farm woodlands differs considerably from commercial operations, and little has been done to demonstrate practicable methods of caring for farm woodlands. As it is now planned, the cooperative farm-forestry program can largely overcome these factors and replace them with a general recognition of the importance of farm woodlands.

The effectiveness of the program will be nearly doubled by virtue of the fact that individual farmers and State agencies participating in it must match all Federal expenditures with equal contributions of funds, personnel, labor, or material. The program for the first year has been planned as follows:

(1) \$100,000 for educational work in cooperation with State extension services as a means of reaching the maximum number of farmers. The aim of this project is to develop farm forestry by carrying out the extension work incident to the provisions of the Act. The Department plans to accomplish this by furnishing technical advice and assistance to State extension forces and by making matched allotments to States for the development of farm forestry in the following manner:

(a) Approximately \$12,000, for technical advice and assistance to State extension forces in the development of farm forestry will cover the cost of employment and expenses of two regional forestry specialists. Their services will be essential to the coordination of all extension activities in the development of farm forestry in the States. The regional extension foresters will assist State extension services in incorporating the practical results of farm-forestry into the educational programs to be conducted by State extension foresters.

(b) Approximately \$88,000 for cooperation with States in the employment of trained forestry specialists who will conduct educational work directly with farmers in cooperation with county agents and other cooperatively employed personnel. Through this cooperative program, woodland management on the six million farms in the United States can be integrated with the other agricultural programs so as to contribute definitely to increased farm income.

(2) \$100,000 for the production of forest planting stock at cooperative State nurseries for distribution to farmers. At present 42 States and 2 Territories are participating with the Federal Government in the cooperative Federal-State nursery program under Section 4 of the Clarke-McNary Act. The supply of forest planting stock from the cooperative State nurseries, which derive part of their funds from the Federal Government under the Clark-McNary Act is inadequate to meet present demands. Even if the Department and States were not to undertake this cooperative farm-forestry program, there is need on the part of cooperative nurseries for additional funds so that through increased nursery supplies farmers might participate in the agricultural programs which are encouraging tree planting; and, now that it is possible to aid farmers in utilizing their woodlands and submarginal land more effectively, it is highly necessary that there be adequate supplies of planting stock available for distribution.

Under the Clarke-McNary system, the Federal-State cooperative nurseries are utilizing \$360,000 annually for the production and distribution of forest planting stock. Whereas the Federal Government is contributing \$100,000 to this program, the participating States are furnishing \$260,000, or two and one-half times the Federal share. This high ratio can only be explained by the genuine interest on the part of States in promoting farm forestry, and it is reasonable to assume that the States will match willingly further Federal contributions to the nursery program under the Cooperative Farm Forestry Act. If \$100,000 is provided for the production of planting stock for use in carrying forward a farm forestry

program under the Norris-Doxey Act, such stock will be produced, wherever possible, at existing cooperative nurseries; allocations of funds for this purpose will be made through the established procedures of the Forest Service and the State Forestry departments.

(3) \$400,000 for farm forestry projects, including necessary investigations. Under this financial project, the Department will establish farm forestry projects and conduct investigations in farm forestry in the following manner:

(a) Approximately \$350,000 for projects where farmer cooperation can be obtained, to demonstrate basic principles and practices of successful farm forestry to farmers. The relationship between the woodlot and the farming operations varies considerably between different regions, and these projects will be distributed throughout the country in representative agricultural areas.

The farm forestry projects will furnish practical means of determining whether the most efficient commercial use is now being made of farm woodlands and what additional functions they can be made to serve in the farmer's economy.

(b) Approximately \$50,000 to carry out investigations in connection with such projects and, in cooperation with the State agricultural experiment stations, to provide basic data for educational and project activities. Research under this program will be devoted to economic studies and to improvement of methods for producing, processing, and marketing farm timber crops. Additional uses of timber on the farm will also be studied.

WORK UNDER THIS APPROPRIATION

The Cooperative Farm Forestry Act authorizes the production or procurement and distribution of forest-tree and shrub planting stock; the making of necessary investigations; advising farmers regarding the establishment, protection, and management of farm forests and forest and shrub plantations, the harvesting, utilization, and marketing of the products thereof and entering into cooperative agreements for the establishment, protection, and care of farm or other forest land tree and shrub plantings.

Under these provisions it is the aim to build a forestry program based on actual farm conditions and problems, to develop a procedure which will incorporate the views of the farm owners and include the cooperation of Federal, State, and private agencies, to integrate thoroughly the forestry work with other phases of farm management, and to carry out such a program through a structure of research, service, and education as will be broad in scope and yet sufficiently intensive to accomplish definite and convincing results.

The existing programs in cooperative farm forestry extension and in cooperative production and distribution of forest planting stock

authorized under the Clarke-McNary Act, which have been in operation since 1925, need expanding to meet existing demands. To provide for an increase in the Department's participation in these programs it is proposed to use, in connection with the present program, a part of the funds requested for (1) farm forestry extension work, under cooperative understanding with the States, and (2) for the production in State cooperative nurseries and for the distribution of forest planting stock, under cooperative understanding with the States.

The chief problem continues to be to get the farmer to appreciate the services his farm woodland can render in his whole farm lay-out and its operation. In order that he may have this appreciation he must recognize his woodland's productive possibilities and know how to manage his woods so as to make them a producing unit of his farm. He must recognize the value of trees properly located, whether planted or native growth, for protection of buildings, feeding lots, fields, and crops against wind; for control of erosion; and for the production of fuel, posts, etc.

The problem of getting proper farm forest practices applied needs to be attacked in various ways--through education, service, research, and such other assistance as needed. Obviously these various phases should be guided by a plan which correlates activities in this field with other land-use programs and which provides the emphasis and the technique for developing the forestry activities.

In this program it is proposed to take into consideration and to study such factors as the relation of input and output from the woods as compared to other parts of the farm business, as well as the relation of woods income to the whole farm organization.

It is considered that the function of research in farm forestry is that of providing basic information for and of solving problems confronted in action and extension programs, as well as providing for better conduct of these programs by discovering and developing improved techniques, practices, and principles. These functions are so intimately connected with field operations and extension as often to be essentially a part of them. Many of the problems to be solved are those confronted by the men in the field, and the research program will be developed and research projects selected with the full advice and cooperation of the action, extension, and program planning agencies of the Department and the States and, insofar as practicable, carried out in conjunction with the farm forestry projects.

Education in the practice of forestry is the means of bringing the knowledge of how to handle farm woodlands right down to the ground. Education has to do with stimulating interest of the farmer and acquainting him with the general benefits to be derived. Advising the farmer of principles and practices involved in securing them constitutes a distinct phase of the program. This is an essential step in obtaining actual application of proper practices in the woods. The extent to which the individual farmer benefits from education depends on his interest, initiative, and facilities for carrying recommendations into effect unless otherwise assisted.

Service, on the other hand, involves specific, practical assistance to the farmer in the application of approved forestry methods by, for example, making a detailed farm-management plan for his entire farm, including the forest areas, and assistance in carrying out that plan. It is an efficient means of bringing right into the woods the necessary leadership and technical supervision to assure confident application by the farmer of the practices his woodland needs.

The proposed farm forestry program contemplates to a large degree service to farmers in selected areas. These areas would be set up as farm forestry projects, wherever feasible, in connection with other land-use programs of the Department, including soil conservation districts and other land-use demonstration areas. It is desired to build up within them an increasing number of well-managed, producing farm woodlands, with records to prove what forestry, integrated with farm management, can accomplish. These projects also offer a place for the testing of methods and the conduct of research of the type already explained.

It may be advisable that in each State the State Forester, the Director of Extension, the Director of the State Experiment Station, a representative each of the Forest Service and of the Soil Conservation Service, and three farmer members of the State Land-Use Planning Committee, serve as a State Farm Forestry Committee. This committee would study the farm forestry needs of the State and recommend in order of priority the areas in which it feels farm forestry projects should be located. It would clear its proposals through the State Agricultural Land-Use Committee.

Each farm forestry project will be designed so as to coordinate with other land-adjustment programs insofar as possible and to cover a sufficient number of farms and acreage of farm woodlands to provide for an adequate demonstration and for the efficient utilization of technicians to assist in developing land-use plans and forestry techniques. In soil conservation districts the forestry program will be incorporated in the land-use plan of the farm.

PASSENGER-CARRYING VEHICLES

The estimates for the fiscal year 1940 contemplate the purchase of eleven passenger-carrying vehicles at a cost of \$7,700. The farm-forestry program requires the establishment of projects in areas not easily accessible by common carrier. The use of passenger-carrying vehicles is practically indispensable in reaching these areas. The eleven vehicles purchased under this appropriation will be assigned to the use of regional supervisory personnel who must travel considerable distances to reach the projects in their region and who must follow more flexible schedules in traveling among the projects than the common carriers provide. Departmental experience has proved that the use of personally-owned vehicles by reimbursement on a mileage basis, where extensive travel by supervisory personnel is involved, is not as economical as the use of publicly-owned vehicles. Project technicians will utilize passenger-carrying vehicles available under cooperative arrangements with the several States contributing to the farm-forestry program.

MEDITERRANEAN FRUIT FLY BOARD

Appropriation, 1939 (Second Deficiency
 Appropriation Act, fiscal year 1938).....\$10,000
 Budget Estimate, 1940..... - -
 Decrease..... 10,000

PROJECT STATEMENT

Project	1938	1939 (Estimated)	1940 (Estimated)	Decrease
Expenses, Mediterranean Fruit Fly Board, Department of Agriculture.....	- -	\$10,000	- -	- \$10,000(1)

DECREASE

(1) An appropriation of \$10,000 was provided for the fiscal year 1939 by the Second Deficiency Act, 1938, to cover expenses of the Mediterranean Fruit Fly Board, created by the Act of May 23, 1938, to investigate and report upon losses resulting from the campaign by the Department of Agriculture several years ago for the eradication of the Mediterranean fruit fly in the State of Florida. It is expected that the work of the Board will be completed during the current fiscal year.

WORK UNDER THIS APPROPRIATION

Pursuant with the authority conferred upon the Secretary of Agriculture by the Act entitled "An Act to provide for an investigation and report of losses resulting from the campaign for the eradication of the Mediterranean fruit fly by the Department of Agriculture", approved May 23, 1938, the Acting Secretary of Agriculture on July 5, 1938, created the Mediterranean Fruit Fly Board and appointed thereon the following members:

Mr. James W. Morton, Athens, Ga., Chairman
 Mr. Arthur Porcher, Cocoa, Fla.
 Dr. J. E. Crump, Winter Haven, Fla.
 Mr. Ben H. Thibodeaux, Bureau of Agricultural Economics,
 U. S. Dept. of Agriculture.
 Mr. Bernard Connor, Bureau of Entomology and Plant Quarantine,
 U. S. Dept. of Agriculture.

This Board was authorized to conduct a complete investigation and survey of all losses sustained by growers and farmers in the State of Florida resulting from a campaign in 1929-30 to eradicate the Mediterranean fruit fly from that State and to submit a full report of their findings

to the Secretary of Agriculture not later than March 30, 1939. As provided by law, the report this Board is to submit will serve as information only, and will not be construed as imposing any legal or moral obligation on the Government of the United States. When the report has been submitted to the Secretary of Agriculture, he will, in accordance with the Act, submit it to Congress, together with any recommendations he may deem advisable.

The Second Deficiency Appropriation Act of the fiscal year 1938 provided \$10,000 for carrying into effect the aforementioned Act "To provide for an investigation and report of losses resulting from the campaign for the eradication of the Mediterranean fruit fly."

The authorizing Act, first mentioned above, provides that, with the approval of the Secretary of Agriculture, the Board may employ officers and employees and make expenditures for travel and other purposes to execute the functions under the Act.

The Secretary of Agriculture designated the Bureau of Entomology and Plant Quarantine to handle the Board's personnel actions, audits, voucher payments, and accounts.

The Board held its first meeting in Washington, D. C., on July 9, 1938. During the calendar year 1938, it has held 11 formal meetings in Washington, D. C., during July 9 to 14, 1938, and November 21 to 30, 1938, and 53 formal meetings in Florida from August 2 to October 1, 1938.

From August 2 to October 1, 1938, the Board established an office at Orlando, Florida. From there it issued questionnaires to enable interested farmers and growers to submit information regarding any losses claimed by them to have resulted from the campaign to eradicate the Mediterranean fruit fly in Florida. The Board at Orlando received many visits from farmers, growers, claim committees, packing house representatives, and others. It also visited farmers, growers, and other interested persons throughout the eradication area. Its members also gathered much statistical information from packing houses, marketing associations, and other sources while in Florida. As complete an investigation and survey as possible has been made by the Board, and every interested individual has been given ample opportunity to present his views by filling out the questionnaires, by personal visit, or by correspondence. The main questionnaire was distributed through the effective cooperation of the Florida county agents after publicity through the press and radio. The questionnaires have been assembled and tabulated and the other data collected are being summarized and analyzed. It would now appear that the report of the Board will be completed in February, 1939.

INTERCHANGE OF APPROPRIATIONS

It is recommended that the language of this paragraph be amended to read as follows:

Not to exceed [5] 10 per centum of the foregoing amounts for the miscellaneous expenses of the work of any bureau, division, or office herein provided for shall be available interchangeably for expenditures on the objects included within the general expenses of such bureau, division, or office, but no more than [5] 10 per centum shall be added to any one item of appropriation except in cases of extraordinary emergency.

The purpose of this change is to raise from 5 to 10 percent the limitation on transfers between appropriations within any bureau or agency for which funds are provided in the Agricultural Appropriation Act, thus restoring the limitation to the percentage carried in the Act for 28 years prior to 1939.

Provision for interchange of appropriations is essential in connection with forest-fire suppression and to enable the Department to meet emergencies arising, especially during the periods when Congress is not in session, such as when a fire occurs at one of the field stations, a water supply system breaks down, or some insect pest or disease breaks out that requires immediate attention. It has also been used to avoid the necessity for deficiency appropriations.

This authority furnishes the legal basis under which the general appropriations of the Forest Service are **used practically every year to suppress forest fires**. Only a nominal sum is carried in the Agricultural Appropriation Act for suppressing forest fires; other funds appropriated for general purposes of the Forest Service are used for fire suppression and reimbursed from a special appropriation provided for the purpose annually in one of the deficiency acts. This procedure has been effective for many years, and it is essential that it be continued unless adequate appropriations for fire suppression are provided in the regular annual appropriation acts. The act of March 3, 1905 (31 U.S.C.665), authorizes the incurrence of deficits when necessary to protect life or property, which authority applies to forest-fire suppression, but it provides no funds for the payment of expenses thus incurred. Such funds, averaging approximately 1 and 3/4 million annually, are borrowed from the regular appropriations of the Forest Service and used temporarily for the payment of fire suppression expenses under authority of the interchangeability clause.

Restrictive nature of authority

The interchangeability proviso in the Agricultural Act is highly restrictive in its terms and for this reason differs materially from the 12 percent transfer provision which was carried in the Economy Act and terminated with June 30, 1936. The authority in the Agricultural Act is restricted to transfers within each bureau. For example, transfers

can not be made from the Bureau of Animal Industry to the Bureau of Plant Industry but can be made only between the subappropriations of each of these respective bureaus. The appropriations for the Department of Agriculture are set up in the Appropriation Act and on the books of the Treasury by main heads. That is, the appropriation for the Bureau of Plant Industry is set up as "Salaries and Expenses, Bureau of Plant Industry." Under that main head are a number of subheads, or subappropriations, as they are called. All that the interchangeability proviso does is to give the Department authority to transfer between these various subheads inside of the bureau concerned during the year, within the limitations indicated in the proviso.

All transfers under this authority are personally approved by the Budget Officer of the Department and by the Secretary of Agriculture. A detailed report of all transfers made has heretofore been reported in the Budget each year, and such transfers also are reflected in the schedules of obligations under each item involved.

Authority is used sparingly

This authority necessarily is very sparingly used by the Department of Agriculture. In fact, it must be used in a very conservative way because, when the need for a transfer is imperative, it is most difficult to reduce any appropriation to meet such a contingency in view of the necessity for continued financing of the work already under way under each of the appropriations.

When transfers have exceeded 5 percent

During the past ten years, or since reports of these transfers have been carried in the Budget, 153 transfers have been effected, involving an average of 2 percent of all the appropriations involved in such transfers. On 23 occasions, however, the transfers exceeded 5 percent of each of the appropriations affected. Ten of these 23 transfers were made to meet emergency outbreaks of insect infestations, and the appropriations drawn upon were later reimbursed from special appropriations made by Congress for combating these pests. Three of these 23 transfers were made to provide funds incident to salary restorations authorized by Congress following the salary reductions of 1933-34, resulting in a saving in the amount subsequently appropriated by Congress for this purpose; and 2 were made to avoid the necessity for asking Congress to appropriate for the usual forest-fire deficiency.

In view of the foregoing experience, indicating that on certain occasions in the past transfers between appropriations have exceeded 5 percent, and because the necessity for similar transfers in the future is likely to recur, it is believed desirable, for most effective operation, to restore the limitation to 10 percent, as recommended herein.

An annual statement of transfers made under this authority is not now required by law. For the information of the Committee, however, the transfers effected hereunder during the fiscal year 1938 are listed in the following table:

Transfers under 10% authority - Fiscal year 1938

Bureau	Amount transferred	From	To	Reason
Animal Industry.....	\$5,000	Salaries and Expenses, 1938 (Animal husbandry)	Salaries and Expenses, 1938 (Diseases of animals)	For construction of a quarantine unit at Beltsville, Md.
Do.....	5,000	Salaries and Expenses, 1938 (Eradicating tuberculosis)	Do.	Do.
Do.....	20,000	Salaries and Expenses, 1938 (Meat inspection)	Do.	Do.
Do.....	20,000	Do.	Salaries and Expenses, 1938 (Eradicating cattle ticks)	For cattle tick eradication due to failure of Texas Legislature to provide sufficient appropriation.
Plant Industry.....	3,675	Salaries and Expenses, 1938 (Cereal crops and diseases)	Salaries and Expenses, 1938 (Dry-land agriculture)	For construction of dam and reservoir in connection with the regrassing program in the Southern dust bowl area.
Do.....	2,475	Salaries and Expenses, 1938 (Cotton and other fiber crops and diseases)	Do.	Do.
Do.....	460	Salaries and Expenses, 1938 (Experimental greenhouse maintenance)	Do.	Do.
Do.....	2,085	Salaries and Expenses, 1938 (Forage crops and diseases)	Do.	Do.
Do.....	1,610	Salaries and Expenses, 1938 (Forest pathology)	Do.	Do.
Do.....	7,115	Salaries and Expenses, 1938 (Fruit and vegetable crops and diseases)	Do.	Do.

Bureau	Amount transferred	From	To	Reason
Plant Industry.....	\$235	Salaries and Expenses, 1938 (National Arboretum)	Salaries and Expenses, 1938 (Dry-land agriculture)	For construction of dam and reservoir in connection with the regrassing program in the Southern dust bowl area.
Do.....	1,375	Salaries and Expenses, 1938 (Plant exploration and introduction)	Do.	Do.
Do.....	1,000	Salaries and Expenses, 1938 (Soil-fertility investigations)	Do.	Do.
Do.....	2,000	Salaries and Expenses, 1938 (Sugar-plant investigations)	Do.	Do.
Do.....	825	Salaries and Expenses, 1938 (Tobacco investigations)	Do.	Do.
Do.....	715	Salaries and Expenses, 1938 (Western irrigation agriculture)	Do.	Do.
Entomology and Plant Quarantine.....	25,000	Salaries and Expenses, 1938 (Japanese beetle control)	Salaries and Expenses, 1938 (Pink bollworm control)	To meet an emergency in connection with the removal of wild cotton in Florida.
Do.....	3,000	Salaries and Expenses, 1938 (Screwworm control)	Do.	Do.
Biological Survey.....	2,000	Salaries and Expenses, 1938 (Maintenance of mammal and bird reservations)	Salaries and Expenses, 1938 (Fur resources investigations)	For purchase of equipment and materials for improvement to Fur-Animal Experiment Station at Saratoga Springs, N. Y. Labor incident thereto paid from emergency funds.

For a list of transfers made prior to the fiscal year 1938, see Senate Hearings on the Agricultural Appropriation Bill, fiscal year 1939, pages 38-46.

WORK FOR OTHER DEPARTMENTS

Under this item and section 601 of the Economy Act of June 30, 1932 (13 U.S.C. 686), the Department of Agriculture renders services, such as inspections, analyses, and tests of food and other products, to other Government agencies upon request, with transfer of appropriations to the Department of Agriculture in such amounts as may be necessary for the performance of the work. Services of the character indicated are rendered to the Army, Navy, Marine Corps, Veterans' Administration, Post Office Department, and other Government agencies. In this way the most advantageous use is made, for the benefit of the Government as a whole, of the various services which the Department of Agriculture is in position to render if payment can be made therefor.

Change in Language

The clause "During the fiscal year 1939" has been changed to read: "During the fiscal year for which appropriations are herein made." This is proposed merely to avoid the necessity for submitting in the estimates an annual change in the fiscal year date.

PASSENGER-CARRYING VEHICLES

Provision is made by this paragraph for the maintenance, operation, and repair of passenger-carrying vehicles. Specific limitations on expenditures for purchase of such motor vehicles appear in the text pertaining to the several bureaus requiring purchase of such vehicles. The funds are also provided under the various subject-matter appropriations involved.

FLOOD CONTROL

(Carried in War Department Appropriation Act, for transfer to Department of Agriculture)

Funds covering preliminary examinations and surveys and the prosecution of works of improvements and measures for run-off and water-flow retardation and soil-erosion prevention on watersheds of streams for which works of improvements for the benefit of navigation and the control of destructive flood waters are authorized by law are being supplied to the Department of Agriculture by transfer of funds provided under the War Department Civil Appropriation Act, as follows:

Allotment, 1939.....	\$7,000,000
Budget Estimate (allotment), 1940.....	3,000,000
Decrease.....	<u>4,000,000</u>

PROJECT STATEMENT

Projects	1938	1939 (Estimated)	1940 (Estimated)	Decrease
1. Preliminary examinations and surveys.....	\$324,333	\$3,175,667	\$3,000,000	-\$175,667
1938 appropriation available in 1939.....	+175,667	- 175,667	- -	+175,667
Total allotment, project 1.....	500,000	3,000,000	3,000,000	- -
2. Works of improvement.....	- -	4,000,000	- -	-4,000,000 (1)
Total allotments, projects 1 and 2...	500,000	7,000,000	3,000,000	-4,000,000

DECREASE

(1) The Budget estimate for 1940 eliminates the \$4,000,000 provided in 1939 for works of improvement, although it is expected that a part of the \$4,000,000 for 1939 will be available for encumbrance next year, since appropriations for flood control are available until expended, all watersheds on which examinations and surveys are conducted having received approval of Congress before funds are appropriated.

WORK UNDER THIS APPROPRIATION

The Flood Control Act, approved June 22, 1936, and subsequent legislation, including the Flood Control Act of 1938 (33 U.S.C. 701a - 701j),

directs the War Department and the Department of Agriculture to make preliminary examinations and surveys for flood control purposes and directs the Department of Agriculture, under the supervision of the Secretary of Agriculture and in accordance with plans approved by him, to carry out works of improvements and measures of run-off and waterflow retardation and soil-erosion prevention on specific localities authorized in these Acts.

The Department of Agriculture in carrying out its flood-control program utilizes the facilities of appropriate bureaus, particularly the Soil Conservation Service, the Forest Service, and the Bureau of Agricultural Economics, in performing the necessary work, which is carried out largely in the field. The funds transferred to the Department of Agriculture for improvement works are used for auxiliary work in coordination with the War Department program on watersheds where flood-control projects of the latter Department are authorized by law. In all this work, close cooperation is maintained between the field staff of the Department and the regional offices of the Corps of Engineers, United States Army. In Washington, the work of the cooperating bureaus of the Department of Agriculture is coordinated within that Department and correlated through the Office of the Secretary with the program of the Corps of Engineers, United States Army.

In the past the flood-control program of the Department of Agriculture has been reviewed by the Appropriation Committees in conjunction with the related program of the War Department. It has also been reviewed by the appropriate House and Senate Committees charged with flood control legislation.

FOREIGN SERVICE PAY ADJUSTMENT,
APPRECIATION OF FOREIGN CURRENCIES

Out of special appropriations made to the State Department, obligations were incurred under allotments made to the Department of Agriculture for carrying into effect the provisions of the Act of March 26, 1934, authorizing annual appropriations to meet losses sustained by officers and employees of the United States in foreign countries due to the appreciation of foreign currencies in relation to the American dollar, as follows:

1938.....	\$33,020
1939 (estimated).....	\$35,000
1940 (estimated).....	\$40,256

MISCELLANEOUS CONTRIBUTED FUNDS, DEPARTMENT OF AGRICULTURE

This account provides for miscellaneous contributed funds received by the Department of Agriculture from States, local organizations, individuals, etc., deposited in the Treasury of the United States, and made available for carrying out various cooperative agreements. The amounts obligated thereunder during the fiscal year 1938 and estimated for 1939 and 1940 are:

1938.....	\$102,024
1939.....	\$116,900
1940.....	\$106,400





